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# THE Bombay Co-operative Quarterly

(ISSUED BY THE BOMBAY CENTRAL CO-OPERATIVE INSTITUTE)

## JUNE 1921

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## PROVIDENT FUNDS IN PRODUCERS' SOCIETIES

All readers of this Quarterly probably know that in the new bye-laws provided for producers' societies in this Presidency provision has been made for a provident fund to be established for the workers in the society. The rules for such a fund were not easy to draft. Certain problems had to be passed over or taken for granted. It may well be that the form suggested may by experience be proved not to be the best possible and that future societies may desire to modify the rules and to work their provident fund on a different basis. In this connection, a discussion which has been taking place in France on the subject of provident funds in societies of this class may be of use to such of the readers of this magazine as are specially interested in industrial co-operation. I have, therefore, drawn up a summary of the questions and arguments which came before the French Federation that discussed the matter.

The main problem before the conference was how the funds required for provision of a pension to workers or provision for their widows and children should be raised. It is obviously possible to raise the fund in one of three ways. It may be raised by a fixed or proportionate deduction from the wages paid to the worker. It may be raised by an addition to the working expenses of the society or in other words to the total paid as wages by the society. Or, again, it may be levied by a deduction from the profits of the society at the time of division of profits. In France, an attempt was first made to create a joint provident fund for all producers' societies. It was found, however, that very few of the societies were willing to join, and that subscriptions did not flow in regularly. In the end, the Federation decided to liquidate the joint fund which they had initiated. The difficulty, however, is that, while an independent provident fund can give useful results in large societies, it is very difficult for a fund to be run to any useful purpose by a small group of workers. Again, there are some co-operators who feel that it is not reasonable to base the fund upon the profits of a society, since it is quite possible that

the profits may be high in one year and low in another and that in an unfavourable season there may even be no profits at all. Those who argue like this consider that the subscription to the provident fund should always be based on the wages paid. Other co-operators, on the other hand, argue soundly enough that if a producers' society is worth having at all then the good years must more than balance the unfavourable seasons, and point out that no industry, whether run on a capitalist or on a co-operative basis, could possibly exist or deserve to exist if it had to undergo a series of losses for several years. An intermediate party exists which considers that the provident fund should be raised by a compromise between the two systems; in other words, that a certain percentage of the profits should be set apart for the purpose and also a payment should be made to the fund from the society in proportion to the wages paid. Mr. Briat, however, who is perhaps the most brilliant and influential leader in the producers' movement in France, has pointed out with much justice that if one surcharges the working expenses with an additional sum proportionate to the wages paid one does not in any way avoid the situation created by a deduction from the profits. Obviously, if the working expenses are increased, the profits are to the same degree diminished. The result will be the same in either case. It is only the name which has been altered. He is, therefore, of opinion that the payment should always be made out of the profits of the society. In general, opinion appears to be against any forced deduction from wages actually paid to the worker. The reason, of course, is that the wages paid are calculated at the ordinary reasonable market rate of wages, and, therefore, are not sufficiently high to allow of a deduction from the worker. The conclusion arrived at was that the societies should be free to settle for themselves in what way they wish to raise money for the provident fund. Some could, if they liked, raise the provident fund by surcharging the working expenses of the society as a whole. Others who prefer to do so could raise the required amount by a deduction from their total annual profits. After sufficient experience it would be possible to decide which of the two methods gave the better results. It was also decided to discuss the matter further in a later conference.

The actual existing rules vary considerably in different societies. The system introduced in the model bye-laws in this Presidency has been based in the main upon the Instruments of Precision in force in the Parisian Society of Workers. These are familiar to the readers of this Quarterly. The Society of Printers which exists in Paris and which has its office at 51, Rue Saint Sauveur, has somewhat different rules. The main points in its bye-laws are the following :—

- (a) Every member who is expelled or who withdraws from the society ceases to have any right upon the provident fund but will be repaid the total amount of the subscriptions paid by him from his entrance in the society until he leaves.
- (b) If a member who has not reached the age of retirement should die, his widow or female companion will receive the total subscriptions paid by him.
- (c) Retirement is compulsory at the age of 65 ; but a proportionate pension will be paid after the age of 55 to every member who retires after 10 years of work in the society.
- (d) In the case of the death of a member after his retirement, his wife or any female companion who has lived with him for more than 15 years will have a right to the following annual pension :—

If she is 50 years old or more she will receive half of the member's pension.

If she is between 40 and 50 years of age she will receive one-third of his pension.

If she is between 35 and 40 years of age she will have a quarter of his pension.

Any widow or female companion not falling under these classes will receive a gratuity of a hundred francs for each year of their common life.

- (e) The provident fund is constituted out of (1) a weekly subscription obtained by deduction of 5 per cent. on all wages paid, and (2) the transfer of 30 per cent. of the profits of the society.

The Society of Chocolate Workers has again got slightly different rules. In its case the provident fund is composed by a transference of 30 per cent. of the profits of the society. It also allows a pension from the age of 55 but allows it after a period of five years' consecutive work in the society. It does not allow any member, whether expelled or voluntarily withdrawing, to have any claim on any part of the provident fund. Apparently, it gives no pension to the widows of members.

These questions concerning provident funds are likely to have an increasing practical interest in this Presidency as producers' societies grow in number and in importance. At the present moment, we stand only at the beginning of the movement, and problems of this kind have for us little more than an academic interest. Still, the experience of this year

shows that there is a considerable future possible for producers' societies in this Presidency, and it may well be that this question may very shortly arouse discussion amongst the co-operators of this Presidency. I trust, therefore, that this note will be found, by some of the readers of this journal, to be of value in directing their thoughts to a question of management in societies of this class which may, in a comparatively near future, attain more importance.

OTTO ROTHFELD

### CO-OPERATIVE HOUSING SOCIETIES IN BOMBAY

In spite of the acknowledged importance of the co-operative housing movement as a potent factor in relieving the congestion of housing accommodation, and of the interest shown by Government in the movement, it is rather disappointing to hear of the little progress made by housing societies in our Presidency. As many as 22 societies were registered upto the end of March 1920, and seven more in the following year, but it is a matter for regret that there are not even as many houses being built as there are societies. The inability of the societies to build is understood to be due to the fact that most of them have not yet been able to secure the necessary land on which to build. Out of the twenty societies in the city of Bombay and its suburbs, only a few have purchased land in Salsette, such for instance as the Catholic Co-partnership Society which has been building houses on its land at Santa Cruz and the Saraswat Suburban Society which has just commenced building operations also at Santa Cruz; but almost all the remaining societies depend for land on the promise made by the Improvement Trust or by the authorities in Salsette. Similar is the fate of the societies in Karachi, as they too depend upon the land promised by the Municipality there, and that body has not finally settled the terms of the lease on which the land is to be given to the societies.

In the course of the speech made by him at the Civic Banquet of the Bombay Municipal Corporation, Sir George Lloyd expressed disappointment at the lack of progress made by Co-operative Housing Societies, and indicated the difficulties they are meeting, of which the main ones are the supply of land, the supply of building materials, and the problem of securing really business-like management. Emphasising the last difficulty Sir George Lloyd urged upon all those interested in the movement that if they wanted to make progress they must see that the societies are managed by qualified business-men, who can gain confidence and get the funds requisite for carrying out the scheme successfully.

So far as co-operators are aware, no society has yet lagged behind for want of qualified business-men on the management. The main difficulty, as has already been indicated, is the provision of land, without which no society can be expected to make headway. The material assistance, which the Government is said to have been giving the societies in this direction, is to enable them to apply for acquisition under the Land Acquisition Act. But this facility refers only to the societies in Salsette, and even there Sir George Lloyd admitted that possession of land was of little use—if the lay-out had not been decided upon. This again is a matter for the Development Department to expedite and not for the societies, for unless the lay-out of the major land is decided upon by the Department, it will not sanction the lay-out of the minor portions assigned to the societies. Sir George Lloyd, however, did not explain why the land promised long ago to the various societies in the city by the Improvement Trust had not yet been made over to them. As a matter of fact, several societies were anxious to take in hand building operations this year by reason of an appreciable drop in the prices of building materials over last year's high prices, but were unable to take any action not having come into actual possession of land.

Sir George Lloyd's speech omits all reference to the difficulties experienced in regard to the supply of materials. But the Development Directorate, in the report recently issued by it, formulates a programme for the better supply of materials. The main reason for the high cost of materials in Bombay is the inadequacy of means of transport. The Development Department, therefore, proposes to provide wagons of its own for the carriage of building materials, and to open depots with rail access where materials can be collected. Though the first step is to be commended as an eminently sensible one, the success of the second is problematical. Collection of materials by Government on a large scale must necessarily be preceded by a call for tenders on an equally large scale, and the process of thus concentrating demand might lead to a considerable rise of prices in the market. The better course would be to allow manufacturers to store materials of their own accord at the Departmental depots. If facilities of wagons be given to co-operative societies, they would be in a position to tap cheaper sources of supply. Departmental supervision of purchase, storage, and sale would entail considerable additional expenditure and the work might, therefore, be well left to cheaper agencies to look after. In this connection, attention may be drawn to the hardship caused by the levy of the terminal tax which the Bandra Municipality levies on materials carried from Bombay to any part of Salsette at the rate of Rs. 2 to 2½ per cent. The sooner this levy is done away with the better



for the growth of building enterprize in Salsette. Government should also remit the surtax which they levy on railway transit in the case of building materials ordered by housing societies.

Another matter for consideration is the removal of the difficulties in the way of manufacturers. The brick-makers and the lime-makers, for example, have at present to purchase coal clinker and coal ashes at a very high cost. If the Government wagons which would bring bricks and lime from them were to carry back clinker and ashes to the seat of manufacture, the cost of production could be somewhat reduced. Many other similar facilities might be afforded for the purpose of bringing down the cost of production. The recent increase in the wages of labour is another important item which has gone to increase the cost of buildings. Though it is not possible to make definite suggestions in this connection, yet it might be pointed out that by building temporary but habitable cottages for skilled and unskilled labour in the vicinity of large areas to be built upon, as for instance on the Improvement Trust Schemes of Dadar, Matunga, Wadala, Sion, and Worli, and on the large areas acquired by the Development Board in Salsette, the cost of labour could be reduced to an appreciable extent, and a regular supply of labour may be ensured. The authorities would do well to give full consideration to this suggestion.

The question of capital is as important to the growth of housing societies as any other of the matters referred to above. No doubt Government has promised to set aside five lakhs of rupees every year for granting loans to housing societies, but it must be admitted that this amount will be found to be too small to meet the needs of the societies when they take in hand the programme of construction. The five lakh set apart this year were just enough to meet a part of the demands of three societies only. Government should, therefore, increase the annual subvention to at least five times the present amount. Another suggestion is that land in Salsette should be given to societies on an annual rental system, as is done by of the Improvement Trust, thereby enabling the societies to utilize their capital wholly on buildings instead of on the purchase of land.

Persons in authority have often expressed their surprise that housing societies should hanker after concessions and have wondered why like other business bodies they should not stand on their own legs. But such persons should remember that if housing societies are to be a success, they must be placed in a position to attract as large a number of members as possible. In order to attract members, the societies must afford better facilities than ordinary land-lords, that is, they must build better houses, must give more commodious rooms, and charge

proportionately less rent than other owners. It would be impossible for housing societies to afford all these facilities if they are to compete with speculative builders in obtaining land, in purchasing materials, and in securing capital. It is, therefore, essential for their success that housing societies should obtain special concessions in all these matters. A reference is necessary to the important concessions granted to housing societies by the Government in England. That Government undertakes to acquire land at 14 days' notice, and to provide building material through the Ministry of Munitions, if it is shown that a society cannot purchase them in the market at a reasonable price. It has also made provision for expert advice in different parts of the country. Over and above these facilities, Government grants loans at 5 per cent. interest and an annual subsidy to the extent of 30 per cent. of the amortization or loan charges, and of the interest on the capital cost of a scheme. Viewed in the light of these concessions, the rate of 6 per cent. interest charged by the Local Government on the loans recently granted to two housing societies must be considered to be very high.

The fall in the number of registered societies—7 against 14 of the last year—is worth noticing. A number of applications for registration of new societies are said to be pending in the office of the Registrar of Co-operative Societies, as the Department finds that the legal and technical difficulties are not easy of solution. Societies are, therefore, required to refer their bye-laws to a private firm of solicitors appointed by the Registrar, and much time is taken in the transmission of papers between the societies, the Registrar, and the solicitors. The societies, on the other hand, consider this reference an additional burden upon their resources, as they generally engage their own solicitors for legal advice. It is, therefore, most desirable that Government should once for all set at rest through its Legal Department the Registrar's doubts and difficulties, so that the registration of societies may not be rendered a complicated task.

The undue preference shown to societies of the co-partnership system by the Registrar as well as by Government has been another topic of much public comment. In a country like India in which the socialistic bent of mind is yet in the background, individual ownership of property must be expected to have a strong hold upon the public mind. In view of the present house famine in Bombay and other large cities, the one policy to be steadily pursued by the State ought to be to encourage house-building by all forms of societies. In England, even private enterprise in house-building receives State help. It is not the form of the society so much as the type of the building that should be the concern of the State.

If the buildings to be erected are of a type suited to the requirements of the poorer and the middle classes, the agency which undertakes their construction need not be cavilled against, at any rate until the present congestion is considerably relieved. The co-partnership form of house-building has no doubt certain advantages over other forms, but it has also its limitations. It is based purely on the rent system, and the rents charged being just enough to cover all out-goings, including interest and sinking fund, a co-partnership housing society cannot expect to build up a strong reserve as a banking society, for instance. Should the rents prevailing in the neighbourhood of the property of such a society fall, its position might be rendered precarious. On the other hand, it cannot raise its rents merely because the rents in the neighbourhood have risen. Individual owners might no doubt profiteer if the values rise. But they are equally expected to take the risk of the fall of prices. After all, profiteering cannot be checked by artificial devices, because for every check devised a resourceful profiteer might find one hundred and one loopholes. The only effective check on profiteering is to bring about an increase of the supply, and Government should, therefore, under the present conditions of the city stimulate the supply of houses by encouraging all types of house-building enterprises.

Lastly, societies in Bombay and the suburbs would be well advised to form a union for taking collective action in various directions. It would enable them to effect purchases at cheaper rates, to command the supply of labour, to hire or purchase labour-saving machinery, to standardise their requirements, to pool their resources, and to obtain advice at reasonable remuneration. The societies in Karachi have already formed a union, and we may well hope housing societies in the head-quarters of the Presidency will not lag behind those in the capital of Sind in this matter.

## THE SPINNING WHEEL AND THE CO-OPERATIVE SYSTEM

India is essentially a country of villages. Recent available census figures show that only 9·5 per cent. of the population live in towns having not less than 5,000 inhabitants. Agriculture is the main prop and standby of the people. The village agriculturist grows all the food necessary for the village population, the smith works at his anvil to make the few iron utensils, the weaver plies his hand-loom in his little hut, and the potter turns his wheel in front of his cottage. The carpenter, the leather-worker, and the shoe-maker supply the wants of a simple village folk. The village is almost self-sufficing and is in itself a self-contained

economic unit. The structure of village society still rests to some extent on status, and this picture of the village organization still largely represents life in tracts not yet brought into contact with the outside world by the railway. India is now almost universally in the throes of a great economic revolution. The old rural economic organization has received a rude shock and is fast crumbling to pieces under the impact of western industrialism. Manchester clothes now find entrance into the shops of the village trader and have replaced the clothes worn by its weavers. The cheap kerosine oil has imperilled the existence of the village Teli. Cheap enamelled ware and glassware are becoming largely favourite with the village folk, as substitutes for brass and copper. Sugar imported from foreign countries is being largely consumed in preference to village-made Gul. The advent of machinery with its large-scale production, the steamship, and the railway, and the extension of peace and security all over the land with the establishment of the British Raj, have wrought great economic changes, the effect of which on rural life is seen in the exodus of village artisans, craftsmen, and middle-class men in increasing numbers in search of employment to large industrial centres with the attendant poverty and in too many cases the bringing on of misery to those that still cling to the village in 'silent deep disdain'. The spectacle of Goldsmith's *Deserted Village* is everywhere writ large on the face of the country-side.

As a natural corollary, the traditional skill of several classes of artisans has deteriorated as there is no appreciable demand for their products, and they are perforce thrown on the soil and forced on to it except in a few cases where new tastes and wants have given them an opportunity of living on their original trade as adapted to changing environments. Moreover, ginning and spinning are no longer the domestic occupations of women as they were before, and the loss of occupation has made them idle members of the family. It must be apparent to everyone that from their very nature village industries cannot withstand the onslaught of large-scale mill production for the simple reason that necessary economies in production are not possible. Economically speaking, men buy in the cheapest market, irrespective of moral or ethical considerations, and this means that small industries must go to the wall. Without entering into the controversy whether small industries can hold their own against capitalistic production with all the cheap and labour-saving appliances the latter can command it must be obvious to every serious thinker "that the community cannot, however, afford to dispense with the intellectual and imaginative forces in life which go with the existence of skilled craftsmen and small workshops. The survival of village industries has not only a moral value to the country as

a whole, but it is also a means of preserving a large class of craftsmen from sinking to the level of 'coolies' and wage-earners. There is a clear economic gain when so many thousand citizens are enabled to remain in their native villages exercising an art in which they can take an honourable pride instead of being driven into the ranks of a city proletariat".

The most important of our cottage industries that needs rejuvenation at this moment is the spinning and weaving industry on which more than 28 lakhs of the population still anyhow contrive to eke out their scanty subsistence. Two-thirds of our artisan population may be fairly said to be dependant for their daily bread upon this industry. Apart from professional weavers, home-spinning was followed in times gone by, as a supplementary calling, by women among agricultural communities. It is eminently suited to the conditions of village life. Our agriculturists are in a majority of cases owners of small plots of land and the methods of dry cultivation they follow keep them engaged only for a part of the year. They remain idle for nearly half the year and the rougher varieties of clothing which an agricultural establishment needs for work in fields and other rough wear can be easily manufactured by themselves in their own village. The poverty of the Indian ryot is almost proverbial and many starve for want of a supplementary occupation. When India was forced to give up home-spinning she had no other occupation to which she could turn. The ryot has grown poor because of this inability to utilize his leisure well. If the peasantry have spinning to add to their slender resources they can fight pauperism on an economic basis and withstand the ravages of famine. If the mass of our agriculturist population were made to realize the immense potentialities of the Charka Movement as a potent factor in securing the self-sufficiency and economic independence their future history will be written differently. The essential idea underlying the Charka Movement is to enable people of small means to utilize to their level best their leisure-time in producing economic goods and to use such goods to their own advantage. In a word, it is one huge experiment to lead a partially isolated existence under modern economic conditions.

The object of this article is to show how the spinning wheel movement can best be organized and popularized on co-operative lines. The spinning machine, as is familiarly known, consists of the wheel and the spindle which are so arranged that a swift revolving action is given to the axle of the spindle by means of a drawing band which passes round the drawing wheel. Cotton in the form of a candle is presented to the point of the spindle and then spun into a thread which is allowed to roll

round the spindle. A good deal of difficulty is experienced in securing a workable machine and the following tests have been prescribed before setting a machine into motion.

- “ (1) The wheel must turn easily, freely, and noiselessly,
- (2) The turning handle must be rigidly fixed to the axle,
- (3) The spindle must turn noiselessly and without a throb in its holders. ”

Members of the agricultural and weaving classes and their families, preferably women, who promise to take to spinning may, in any village, be induced to group themselves into a co-operative society and asked to contribute a small initial working capital. To start with, the number joining the society should be in each case 20 at least. The model bye-laws contained in leaflet F or E E issued by the Co-operative Department, amended so as to meet local conditions, may be filled up and signed by the applicants and then sent to the Registrar, Co-operative Societies, Bombay, for registration. The society would be able to obtain, after registration, a loan of a few hundred rupees from Government free of interest for some time and then at a moderate rate of interest. Each member, moreover, would be supplied, as a loan a spinning machine and its initial equipment or a free grant of Rs. 10 for the purpose. The loan obtained from Government should be utilized in giving cash loans to members for buying cotton wholesale for purpose of spinning into yarn and sale to local weavers or at the nearest local bazar. If the manufactured yarn be sold collectively through the society, the latter will be able to obtain better bargains. If loans are granted to weavers it will be on condition that they use the home-spun yarn only for preparing khadis. If there be no local market for the yarn it should be sent to the Bombay Central Co-operative Bank which will do its best to effect sales on behalf of such societies. It might almost be asked whether it is not possible to put the Charka Movement into operation otherwise than in the manner suggested above. There are ways and means, but sporadic and unco-ordinated efforts do not generally prove of much avail and the business is well adapted to being organized co-operatively. The foregoing plan has been suggested as a practicable and workable system, because there is already a selfless band of co-operative enthusiasts in this country trying their level best to assist the rural classes to shake off their present state of stagnation, and they will it is hoped ungrudgingly help forward the movement to the best of their ability.

## WAGES OF FARM LABOURERS IN POONA

In 1917, the labour employed on the Agricultural College and Dairy and the Manjri farms began to feel the pinch of the high prices caused by war and famine, and some of the men began to grumble and to leave service. Others who had been in the place for some time stopped on, although they were obliged to run into debt for even the necessities of life. They were kept on by promises that the matter would be looked into. Action was delayed as long as possible, as it was hoped that peace and good seasons might set matters right. It seems this view was unduly optimistic, and it was finally found necessary to take action or lose all the old workmen who had been trained after considerable trouble by the officers in charge. Even when the first move was taken, only a temporary arrangement was made to enable the men to tide over the hard times.

The relief was given as an allowance based upon the absolute requirements of the men and their families being reduced to a grain basis, and it was given in kind, in addition to their wages, computed as follows :—

Adult males	...	...	Two pounds of Jowari.
Adult females	...	...	One and one-half pounds of Jowari.
Large children (under puberty and not having their complete set of second teeth)	...	...	One and one-third fourths pounds of Jowari.
Small children (weaned but not having lost their milk teeth)	...	...	One and one-fourth pounds of Jowari.

The monthly requirements of each family were calculated according to these rates and this was converted into money at the current rates for Jowari given by the Collector. This amount was compared with the combined pay which each family was receiving. Whenever the latter was less it was made up to the former figure and given as grain. This served to tide over several months and was considered purely as a famine aid. Some thought that this was unfair because many older servants thereby drew less than some with very much less service. It was finally decided to go into the whole matter very carefully and the action taken was as mentioned below. It is on this basis that the men are paid now. It seems to satisfy all and the labourers work faithfully and willingly.

The new rates of pay were arrived at by first estimating the minimum cost of the necessities of life to an average family consisting of man,

wife, and three children. The following items were taken into consideration :—

	Rs.	a.	p.
Grain, including dahl and rice 200 lbs.			
per month costing ...	12	0	0
Oil, spices, vegetables etc. ...	4	8	0
Clothing at about Rs. 50 per annum ...	4	8	0
Total ...	21	0	0

It is not reasonable that the very best can be obtained from any labourer who gets only the bare necessities of life. All labourers should have a certain amount, out of which they can spend a little for festivities and ceremonies, a little to pay off old debts, and they should be able to save some each month towards times of sickness, to provide for marriages, and as a fund for use in old age. Hence to the estimate made above have been added the following extra items :—

	Rs.	a.	p.
For festivities and petty luxuries, per year ...	18	0	0
For time lost owing to sickness .. ..	18	0	0
For marriage fund ... ..	20	0	0
For repayment of debt, interest and provision for old age ... ..	43	0	0
Total ...	99	0	0

Dividing this sum by 12 we get Rs. 8-4-0, and adding to it the 'necessity charge,' shown above of Rs. 21-0-0 we get Rs. 29-4-0 as the minimum payable to a man and wife, during their working age, which may be roughly taken as from eighteen to fifty years of age. Children and elderly persons are paid proportionately to the work they perform.

On these farms the working days are taken as 26 per month, so that the minimum wages per day come to Rs. 1-2-0 per man and wife, or annas 12 per man and annas 6 per woman. The rates are not payable to transient labour but only to those who have completed one year's continuous service. New labourers are paid only the subsistence allowance of Rs. 12 per month or annas 8 for men or annas 5 for women daily. At the end of the year, if they are not suitable for working as permanent labourers they must be dismissed, if kept on they automatically go on to the minimum rate of pay. Day labourers, for periods not exceeding one month, are paid at the current market rate. With a view still further to induce the men to do their best a yearly increase of pay is granted to those who comply with certain



rules. The rates of the annual increment of the men is six pies and of the women three pies each. This goes on until after nine years' total service, a man receives one rupee and a woman receives eight annas.

For exceptionally bright and industrious individuals, a second grade is maintained starting at Rs. 1-4-0 per day, and rising by one anna increment to Rs. 2-0-0 per day. These may be directly recruited or promoted at any stage from the ordinary unskilled labourer's grade. In order to secure the advantages of these improved rates, it is necessary that the employees shall aim at a considerable higher standard of work, fidelity to duty, obedience, regularity of attendance, and promptness than was in vogue formerly.

The working day is eight hours in the field, garden or shop, and, in addition to this, the necessary petty work is done at night and in the mornings, and on Sundays and holidays. Petty work includes care of cattle and general tidying up of the work-place. Six days' work is taken each week and no extra work allowance is given without special sanction. Hindu holidays are given in exchange for Sunday so long as they do not exceed one per week. Three holidays are allowed annually on full pay without exchange, a day for the King's birthday, a day for the Holi, and a day for the Divali. Sick leave, if necessary, is given up to two days per month on half pay. Continuous absence from duty for any cause for over twenty days involves forfeiture of promotion for the year.

J. B. KNIGHT

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## ECONOMIC EFFECTS OF CO-OPERATIVE CREDIT

In previous issues of this journal, Messrs. R. M. Sane and M. R. Godbole gave their views regarding the economic effects of the co-operative movement. I would like to supplement their observations and hope the opinions expressed here may be of some use to co-operators in arriving at some decision of practical utility. Almost all proposals are, no doubt, advocated in the interest of the cultivators, but the main question is to find out whether cultivators are likely to be benefitted either as expected or at least to some extent by the introduction of the several measures proposed by Government. If not, it will be worth while to expose the defects. It is admitted that there is the evil of indebtedness at the bottom. Whether and how far we have succeeded in removing it is a different matter. Certainly something is being done, but I think the root of the disease is not yet touched. Therefore, it should be our first duty to attempt to go to the

bottom of the trouble and to find out the means necessary to up-root it, and work out a scheme at least on a moderate scale that may be really useful to the cultivators.

The evil that hinders the progress of agriculture and the welfare of agriculturists is simply the burden of the old, long-standing, ancestral debts hanging on their heads from generation to generation. Unless means are devised to reduce this burden no really satisfactory effect can be produced by the introduction of co-operative credit. The first object of any scheme for bettering the condition of the cultivators must be, therefore, to initiate steps for the liquidation of these debts.

If we trace the history of rural indebtedness in the Deccan in modern times we find that there was a policy of "laissez faire" adopted towards all that concerned the economic life of cultivators. It was only lately that Government began actively to encourage measures for the betterment of the condition of this hitherto neglected class. For the steps already taken in this direction we are certainly indebted to Government. Among the ameliorative measures that have been undertaken by the Government, such as the Agriculturists Relief Act and the grant of Tagavi, the Co-operative Societies Act is one of the most hopeful instruments for eradicating the evils of stagnation and economic slavery among the rural classes. This economic slavery has taken deep root in most villages and is receiving full nourishment directly or indirectly from all quarters. So long as the Sowkars had a small number of courts to approach and a limited number of pleaders to plead for them, their ambitions were held in check. In fact, there was some sympathy with them as the Sowkars acted in the knowledge that the cultivators were their clients or customers without whom their business could not go on. Such is not the case now. The laws, though not altogether favouring them, are better understood by Sowkars than by the agricultural classes. The introduction of the practice of writing documents on stamped papers with the conditions agreed upon, which are naturally favourable to Sowkars, may be deemed as the first germ to have affected the cultivator's economic life, led to the ruin of his industry, and enabled the Sowkar to cherish hopes of becoming an owner of the land he took in mortgage. Sowkars and pleaders began to thrive on the altered conditions. They often found favour with the lower courts, though occasionally partial judgments were reversed by the High Court. The court expenses, however, ruined the cultivators through and through.

This economic ruin grows more or less in proportion to the increase in number of pleaders, especially in Taluka and District towns. Agriculturists know that they are not able wholly to do away with the

Sowkars and to do without them, but they know at the same time that they enjoy the protection of the laws of the land. It should, therefore, be the first duty of co-operators to request Government to treat both parties to the transaction of money-lending on the same terms. The cultivators should not be left to the mercy of pleaders and courts in the interpretation of the conditions imposed by Sowkars. This can be brought about by enforcing for the transactions of Sowkars the same form for loan-documents, the same rate of interest, the same periods of repayment, as well as the use of the same arbitration courts for deciding the cases, as are prescribed in the rules and regulations sanctioned for co-operative societies.

The next requirement is the limitation of debts. The cultivators being generally in debt, are unable to form societies unless some other moneyed men come forward to assist them. In practice, this outside body would be merely a substitute for the old Sowkars working under restrictions, reformed rules and regulations. Apparently, we create a new money lending class to prey upon the cultivators to a slightly smaller extent. That is now the position in villages. This is the second cause that goes to increase the indebtedness of the rural population.

Suppose an institution undertakes to start a society and tries to relieve a cultivator by paying off his old Sowkar. This institution follows the rules of a co-operative credit society and fixes up the amount of the loan after ascertaining the market value of the land mortgaged. It can never attempt to ascertain the income from the land. The market value of the land is regulated by the amount of loan, the local Sowkar or purchaser may invest on its security. This has gone as high as 75 to 100 times the land tax at least in Ratnagiri District. The land tax is supposed to be one-fourth of the gross outturn. On this assumption, Government fixes the value of land at twenty times the land tax and bases its calculation on the maximum rate of interest being fixed at 12 per cent. But when the value goes up to eighty times, this cannot hold good. Thus the cultivator who borrows money from the new institution becomes naturally more incapable of paying the interest and the instalments fixed. What is the consequence? The matter goes to the Registrar and the arbitration court steps in. The mortgaged land is put to auction, and the old Sowkar comes forward to buy it. He need not bid for it as high as the total amount due, for he will probably get it for even smaller prices. The poor cultivator after being publicly disgraced often curses bitterly this new institution. If there be some margin, the old Sowkar comes forward to relieve the cultivator and saves his credit and reputation by paying off the debt of the society. This he relief he affords now with a vengeance, putting up more rigid terms with

as high a rate of interest as he can possibly charge. Such is the actual state of things in villages. To prevent this, co-operators should try to bring the old Sowkari system into vogue within some restrictions either by inducing Government to guarantee the debt with assurance to make up the loans or to make such rules as will compel the Sowkar to co-operate with the co-operative movement and become interested in the work. For securing this object, the limit of loans on the security of landed property should be fixed at something less than twenty times the land tax. The period of repayment should be regulated by income, keeping one half of it for the cultivator's maintenance. This is an unavoidable step which will have to be had recourse to in the interest of the land and land-owner. The last and the most important suggestion that can be made to secure complete success in starting societies in villages is to have central banks with extensive funds which can finance the village societies in case the local Sowkars cannot be persuaded to co-operate.

From what has preceded it will be clear how the evils of rural stagnation can be minimised. Let us not start with the belief that what we do is for the public good, unless and until the results prove it to be so. A superficial view often shows the defects are deep and remain hidden from sight. Such questions, therefore, must be investigated calmly, discussed courageously, and the defects which are revealed removed to secure success.

D. A. VICHARE

## LOCAL DEPOSITS IN CO-OPERATIVE SOCIETIES

It is more than a decade since the co-operative movement was inaugurated in the country. Co-operative societies were established to alleviate the economic conditions of the agriculturists, and to save them from the usurious rates of interest of the village money-lenders. At the time of the establishment of these societies, there was a difference of opinion among economic thinkers whether such societies or some other kind of financial organization would be the real solvent of the stagnation of the rural classes. Some were in favour of these societies, while others disbelieved in their utility, and were for the creation of agricultural banks. These discussions went on for a number of years, but now it may be said that the consensus of public opinion favours the starting of co-operative societies. The introduction of co-operative credit on the model of similar organization in Europe was first suggested by Sir Fredrick Nicholson of the Madras Civil Service. He was deputed to Europe to study

this question, and as a result of his inquiries he had submitted a voluminous report on this subject on the strength of which the Co-operative Credit Societies Act was promulgated in 1904.

From the time of their inauguration these societies used to be financed by Government whenever they needed money, nay, in some cases Government led the way by offering financial aid, and thereafter local subscriptions were collected, and societies started. This continued in Bombay until 1911 when the Bombay Central Bank was established. Government then resolved that these institutions should no longer depend upon loans from Government and that Government would only audit, inspect, and control them. This attitude made the question of financing these bodies more difficult than before, for the capital of any central co-operative bank, however well-supported, is bound to be too small to meet all the needs of societies, and to supplement the resources provided by it, societies are advised to secure local deposits.

We shall now consider how these deposits can be secured. For this purpose we have to analyse the nature of the locality where these societies are established. They are established either in a rural area or in an urban area. In a rural area the population is generally poor. It mainly consists of small Khatedars, Kheduts, agricultural labourers, artisans, and Banias. The first four classes of these people are known for their chronic poverty, indebtedness, and ignorance. Their economic needs always exceed their income and in a rare prosperous year what surplus may be left with them is spent either in payment of old debts, or in the satisfaction of a natural desire to live well and spend freely. So it would be useless to expect any deposits from these classes. Then there remain only the Banias who represent the commercial side of a rural area. But will these rural financiers respond to our calls for deposits? No, because these co-operative societies are enemical to their time-honoured business of money-lending. The whole purpose underlying the movement is against their individual interest. Why, these banks are created to annihilate the Bania from his strong-hold in the village economy! So it is natural that he should oppose them. We cannot, therefore, expect local deposits from him or from his class. Who remains then to deposit surplus money in these banks? There are in all village a few persons known as the 'white-clad' community. But most of them belong to the priestly class; and supposing some of them are well-to-do, their tendency is to keep their money with them. They want to follow either the Bania in making use of their money, or they like to deposit it in their own domestic savings bank—ornaments for their women and children. So, then, there remains no class of people in a rural area who can deposit money in these societies.

In an urban area the case is somewhat different. There, the population is economically better situated. There are more trades and occupations there from which people make their living. The more populated the area the better are the means of earning money. So the urban banks may find more scope for securing local deposits. But still if we were to look to the results we are disappointed to find them in as much hopeless a condition as societies in rural areas. The reason is want of knowledge and lack of a systematic attempt to canvass deposits.

Taken as a whole, the problem of securing local deposits either in a rural or in an urban co-operative society remains more or less unsolved. If it is so, the question naturally arises how such deposits can be secured. To the present writer the remedy appears to consist in the socialising of the population and in creating in it a healthy spirit of local patriotism. The population of this country suffers from the evil effects of the caste system. It has been divided and sub-divided into minute sections which have their own likes, dislikes, and sentiments which play a great part in the social life. The sympathies of one class are circumscribed to its own members. Corporate activities, therefore, suffer, be they in any form, and for any purpose. In order to get rid of this state of things the only remedy is to bring the people of different classes and creeds together as often as possible, that is, there should be many more occasions for their mingling and mixing for common purposes. This would remove many sectional angularities and strengthen the sense of homogeneity to some extent. The more this feeling is promoted the better for communal work ; such as co-operative societies and the like. By this process, the people will be more and more socialised, and thereby a local patriotism will be created among them. When this kind of patriotism is fostered then our efforts in any line of corporate activity will be facilitated. Local capital will then flow in for use in local institutions.

To illustrate the truth of the foregoing statement, we may take the example of Denmark which is considered to be the home of agricultural co-operation. On the continent of Europe wherever the principle of co-operation has made some success, it is due to the fact of the socialising of the masses of people and the creation among them of the spirit of local patriotism. Denmark, a few decades ago, was a poor country inhabited by small agriculturists. As is the luck of agriculturists they were scattered throughout the country, and so naturally there were few occasions of meeting together to discuss matters of common interest or to work for common good. Every one had his own problems which he was grappling to solve in his own way. To strive for a common purpose is not in the nature of the business of agriculture, and that is why Karl Marx despises an agriculturist in his *Das Capital*. So the leaders of Denmark thought

it their first duty to create more and more occasions for their agricultural population to meet together either in their villages or town-ships. They devised various means such as singing and dancing in common, praying in common, and doing a variety of things in common. This had a wonderful effect upon the isolated agriculturists. They learnt to come together and mingle more and more and thereby they became more social. When they became more social they began to entertain higher ideals of common life, that is, a patriotism local and natural was created in them. This eventually led to the inauguration and rapid development of the co-operative movement in their midst.

The same may be said of every other country on the continent of Europe. To cite another illustration, but of an opposite kind, we may take the case of the co-operative movement in the United States of America. The American population is composed of several alien elements from the old country. Many of these elements have not yet merged fully with one another so as to make one distinct brand of the American people. This is especially true of the middle and middle-west States. Many attempts are made in these States to make the co-operative principle take root and thrive but in vain. The reason is the want of social cohesion among the population and the consequent lack of local patriotism. The leaders, therefore, have started what is called the movement of Americanisation. What is to be an American is preached to them in schools, churches, and on various other occasions. Open air meetings, Young-men's and Women's Christian Association Conferences, Week-end Tours, singing, dancing, and music, games and sports, and a variety of means are used to socialise the population and to create an American spirit among them.

To conclude, we in India have to take a lesson from the history of the growth of social movements in those countries : have to study our problems from our own peculiar conditions and then to devise remedies. As argued above, no local deposits of any considerable value can be secured unless we attempt really to socialise the masses of people both rural and urban, minimise the sentiments of caste and creed, modify their angularities, and create the spirit of local patriotism.

R. R. PAWAR

### CANCELLATION OF SOCIETIES' REGISTRATION

There is only one section in the Co-operative Societies Act which warrants summary cancellation, namely, section 40. This cancellation is entirely in the hands of the Registrar alone and his powers are discretionary. In practice, however, it appears that the powers of cancellation

are exercised by the Registrar presumably under some other authority. In fact, when societies are departmentally recommended for cancellation they are cancelled by the Registrar of his own authority. I do not find fault with such cancellations as the societies dissolved hardly serve any useful purpose. But I do think the procedure of cancelling is hardly correct. Often we find such cancellations *en bloc*. Section 40 refers only to one circumstance under which societies can be cancelled summarily, and that is when the number of members is reduced to less than ten in any registered society.

The other section in the Act which relates to cancellation and dissolution is 39. Under the circumstances mentioned in section 40 cancellation is in the hands of the Registrar, but dissolution is not always so. A society can be dissolved by the cancellation of its registration only in one of the following three ways:—

- (1) After an inquiry directed under section 35.
- (2) On the application of a creditor after the inspection mentioned in section 36.
- (3) On the application of three-fourths of the members of the society.

These are the only sections which bear on the authority of the Registrar, and I am inclined to think that the autonomy of a society is interfered with, where it is cancelled otherwise than under the procedure indicated above. I would even doubt the legality of such cancellation orders under section 39, and but for clause 6 of section 42 any order not passed in strict accordance with section 39 could be questioned by the Civil Court. An appeal to the Local Government is, however, expressly allowed by clause 5 of section 39 against an order under section 39 (1) of the Act, with which alone this article is intendend to deal, for the cancellations in vogue would hardly fall under section 40 of the Act. A majority of them evidently do not. Section 39 too is not properly attended to and in many cases cancellations are made contrary to its letter and spirit. There are no rules framed under section 43 (5) of the Act as regards the presentation of appeals and other matters, and it is to be noted that no appeal lies against an order under section 40 of the Act. The object of writing this is to note exactly the circumstances under which dissolution and cancellation of societies are possible, so that those concerned may interest themselves in the views and doubts expressed herein.

A. U. MALJI

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# PROGRESS OF CO-OPERATION IN INDIA

## MADRAS

Commenting in one of the earliest issues of this journal on the Annual Report on the Working of Co-operative Societies in the Madras Presidency we had described it as so heavily encumbered with diverse detailed statements and statistics that it was difficult for a reader outside that Presidency to lay his finger on the main features of the progress of the co-operative movement in a particular year. The Government of Madras in their review of the Registrar's report for the year 1919-20 make similar observations, remarking that "detailed statements have grown so voluminous that they tend to obscure rather than elucidate the broad facts of the year's progress and activities." They, therefore, call for a drastic revision of the form of the statistical statements and a reduction in their numbers.

The general impression conveyed by a perusal of the Report is that there was a vigorous expansion of the movement, particularly of co-operative credit in rural areas. The total number of agricultural societies increased from 3,082 to 4,218. Of these, 4,156 were credit societies, and the rest non-credit societies. The membership increased from 1,70,953 to 2,31,087, and the working capital from Rs. 1,23,61,942 to 1,59,68,221. Agricultural credit societies commanded a working capital of Rs. 1,56,86,228. One seventh of this was permanent owned capital, 14 lakhs representing shares and eight lakhs reserves. There was an increase of nearly four lakhs in the amount of share capital and of a lakh in the amount of members' deposits, which stood at six lakhs at the close of the year. This figure is low, and indicates that voluntary thrift in the form of the deposits of member's savings has not been developed after fifteen years of working to any very considerable degree. Outside deposits amounted to nearly seven lakhs and the rest of the capital was derived from central societies. The number of loans made during the year was just over a lakh which gives an average of less than one loan for every two members. Attention was drawn to this feature by Mr. Hemingway in his previous year's Report. The low average shows that a good number of members are not financed, and that societies content themselves with making large advances in a lump rather than encouraging the grant of frequent short-term loans according to requirements. This defect is however, more due to the imperfections of the system of financing through district banks, than to laxity or inappreciation among societies of the advantage of granting loans in accordance with requirements. Of the loans advanced, 22½ lakhs were intended for redemption of prior debts, 59½ lakhs for productive purposes, and 2 lakhs for non-productive purposes. The old system of giving loans free for a year and

then granting extensions up to ten years on receipt of interest and a tenth of the principal is being gradually abandoned and short-term loans with periods fixed according to purposes are being introduced. The stringency of the money market and the consequent inability of central banks to tap fresh supplies of capital have assisted in regulating the system of fixing periods for loans, and encouraging the use of short-term loans. The percentage of overdues was reduced slightly during the year, and recoveries of principal amounted to nearly 50 lakhs. Interest too remained in arrears to a considerable extent. In a good many districts, with hardly any common factor responsible for the continuance of heavy arrears, large amounts continue to be shown as overdue, and no substantial reductions were effected though the agricultural season of 1919-20 was a favourable one. The Registrar attributes the failure to reduce arrears to the prevalence of high prices for domestic requirements and to the uncertainties of the general economic situation. He also explains that in many societies the collections from members were reloaned to them as the central banks were not in a position to issue fresh loans, while in other societies there was a disinclination on the part of members to meet their obligations to these societies as the latter had not obtained for them short term-loans for current requirements. A vicious circle is created, which can only be removed by organizing banking agencies for small compact areas, easily responsive to the influence of their constituent societies, and able to guide their operations.

Of the agricultural non-credit societies, 58 were for purchase and sale. Under this head are included trading unions which carry on purchase or sale business with primary agricultural societies. Sales during the year amounted to Rs. 3,59,629, and the aggregate gross profit was Rs. 12,115. The business of unions is to collect from affiliated societies information about the requirements of members, and treating such information as indents to make purchases of the necessary goods. The articles are passed on to the societies concerned, after charging two per cent. as commission in addition to expenses. Capital is raised by means of shares. Unions are permitted to raise loans to the extent of five to eight times the paid up share capital, and on sale of articles get payments from the credit societies which arrange separately for advances from their central banks. Another system is for the primary societies to get short-term loans sanctioned by their central banks and to grant a letter of authority in favour of their trading union to be used for meeting the costs of purchases. It is proposed to extend the system by permitting unions to open depots at market towns and to hold stock of articles required by members of affiliated societies for daily consumption. Trading unions have been found to

have worked successfully only in centres where credit societies have prospered well for a certain number of years and have trained up some honest and conscientious workers.

There were four other non-credit agricultural societies, but as the Registrar has, contrary to all logical systems of classification, classed as non-agricultural all special types of societies for various purposes other than credit connected with agriculture or industry, the figures do not exhibit the true position in regard to agricultural co-operation. Among societies organized to promote agricultural co-operation are rice-hulling societies, giinning factories, seed and manure societies, and about half a dozen societies for the wholesale sale of different varieties of agricultural produce, such as paddy, ground-nut, areca-nut, cardamum, pepper, and fish guano. There is also a coir-workers' society started to keep alive a useful cottage industry, the making of finished ropes from coir by women belonging to the agricultural classes. Besides the trading activities carried on by the special types of societies, the bye-laws of agricultural credit societies permit their undertaking the joint purchase on indents of articles of daily use. The indents were bulked through the local unions or district councils of supervision and purchased by the latter in suitable markets, out of funds placed at their disposal by credit societies. The aggregate value of these transactions was Rs. 6,18,415, resulting in a net gain of Rs. 42,611. The articles dealt in were ploughs and other agricultural implements, oil-cakes and manures, and rice and other foodstuffs. This form of joint purchase is looked upon as a step preliminary to the starting of trading unions. Joint sale the Registrar finds to be a more difficult business, as the articles offered for sale are not of uniform quality and not properly graded. Sales of the value of Rs. 1,11,641 were effected during the year, the main articles sold being ground-nut, jaggery, cotton, paddy and fish guano.

Non-agricultural societies increased in number from 368 to 641, their membership from 2,43,661 to 3,29,886, and their working capital from Rs. 48,28,682 to Rs. 63,70,515. 478 of these were credit societies, commanding a working capital 53 lakhs. 118 of the credit societies were of the unlimited liability type and had a working capital of 5½ lakhs only. The bulk of the capital in the 360 limited liability societies was "owned" by the societies themselves. There were 21 weavers' societies, whose total transactions amounted to nearly a lakh of rupees. Some of the societies undertake the sale of finished products and others the joint purchase of yarn and dyes. It is proposed to convert these into producers' societies. Store societies numbered 136, showing an increase of 49 over the previous year's.

figures. They handled goods of the value of Rs. 22,46,904, and earned a gross profit of Rs. 92,116. A good many of them show little or no profit as they do not deal largely in articles which can be bought in bulk and can thus provide a good turnover. Credit is allowed by central banks to the stores, when required for purchase of articles, for periods varying from six months to a year, and as the system of sales on credit is in great vogue a few stores are allowed to make such sales.

Among other non-agricultural societies, there were 14 building societies, most of which were credit societies specially intended for granting advances for construction of buildings. There were two co-operative printing presses, two labour supply societies, one transport society (for running a service of motor trucks), a co-operative hostel, a stationery shop for students, a leather goods factory, a lock and safe manufacturers' society, and some cobblers' societies. A co-operative farming society and a milk supply society have also been registered. The backward classes are now being freely admitted to village credit societies, while no less than 175 societies are intended solely for the Panchamas and similar communities. Societies for municipal employees, scavengers, sweepers and others numbered 45 at the close of the year, and though all of these were credit societies, some undertook the work of supplying the domestic requirements of members. There were 11 new fishermen's societies, and at the end of the year there were nearly 60 societies specially intended for the aboriginal and hill tribes.

The number of central banks increased during the year from 25 to 29, and their working capital from Rs. 85,72,716 to Rs. 1,71,49,869. Of this amount, Rs. 13,88,500 represented shares, and Rs. 1,66,871 reserve funds. 28 lakhs were borrowed from the Provincial Bank, deposits from societies amounted to 12 lakhs, and the remaining 60 lakhs were raised as public deposits. There was a falling off in the amount of cash and investments as a result of the pressure on the banks' resources, and the total holdings were 6½ lakhs as against 7½ lakhs at the close of the previous year. Owing to a rise in the rates of deposits, the banks were compelled to raise their lending rates from 8 per cent. to 8½ per cent. The rate on advances in primary societies has been raised correspondingly from 9½ per cent. to 10½ per cent. Almost all districts have a bank, and in three districts there are more banks than one. It is interesting to find that when in any district the growth in the number and business of societies outstrips the resources of the district bank to which they are affiliated and the share capital of the latter is not sufficient to secure the requisite amount of credit, the policy is deliberately adopted of starting more central banks in that district. The Registrar reports that in the districts of Ganjam and

Godavary, where new banks were started for this reason the results have been satisfactory. One can only add that other districts too will probably profit by the application of similar treatment. It appears that nearly 25 lakhs of rupees are still outstanding to the Provincial Bank by primary societies, in spite of the decision that that Bank should have no direct dealings with primary societies in districts where there are central banks. Further, as has been observed above, many societies reloaned to members their recoveries owing to the failure of their central banks to find funds for urgent needs, and, lastly, as the Registrar points out very clearly, in spite of the increase in their resources the central banks were not able to meet fully the needs of their affiliated societies for loans for approved purposes.

The year witnessed some modification in the constitution of the Madras Central Urban Bank with a view to convert it into a federation of central banks. Individual shareholders were given preferential claim to a guaranteed dividend of nine per cent. and priority of claim in the event of liquidation. Fresh shares of the value of four lakhs have been issued and thrown open to co-operative societies, but central banks alone are, under the altered constitution, permitted to hold shares in the Provincial Bank. Each bank is allowed a seat on the directorate provided it holds shares to the extent of ten per cent. of its own paid up share capital. It is expected that central banks will subscribe shares up to a limit of 25 per cent. of their paid up capital, and thus enable the Provincial Bank to raise fresh issues of capital for the financing of the movement. The Provincial Bank was able to increase its share capital during the year from Rs. 2,37,860 to 3,44,120. Deposits increased from 44 lakhs to 50½ lakhs, and the working capital from Rs. 48,15,722 to Rs. 55,47,925. The Bank of Madras has been very liberal in the financial assistance it has given to the co-operative movement in the Presidency, and in the year under review the financing of societies for current needs would have been impossible if that Bank had not increased to 17½ lakhs the credit allowed through the Provincial Bank.

With the registration of 34 local supervising unions and one central union for the Andhra Province, the number of supervising unions increased to 136. These had 3,540 societies affiliated to them, and there is hardly any primary society, except those recently registered or on the point of cancellation, which are not affiliated for purposes of supervision to a supervising union. Only a few societies are directly supervised by the Y. M. C. A. authorities and officers of the Labour Department, and a few more are supervised by the banking unions themselves. The system of providing supervision through local unions has been found

satisfactory on the whole; the only serious difficulty is the poverty of the unions' resources. Unless these are added to by raising the rate of contributions from primary societies and central banks or by the grant of subsidies from the State, the unions will, in course of time, find it increasingly difficult to maintain an adequate well-paid staff. The Registrar does not explain the exact relations which exist between the unions, the Department, and central banks, and the degree to which the unions enjoy local autonomy in the discharge of their functions. It is now proposed to affiliate local unions to the Provincial Union at Madras, but the Report gives no indication of the nature of these fresh developments and of the relations which will subsist between the Provincial Union, district councils of supervision, and the local unions. There is also no mention of the work of the Provincial Union and of the extent to which the non-statutory functions of the Registrar are being transferred to this organization. The work of the Honorary Assistant Registrars is spoken of as having been very helpful, though, from the manner in which the Registrar complains of the paucity of his own establishment—in spite of the large additions made to it from time to time—it may be presumed that the system has not been much of a success and that the new non-official members of the Department have not to any serious extent relieved the permanent officials of any substantial portion of their onerous, though often self-imposed, duties.

#### PUNJAB

The co-operative movement in the Punjab shows greater vitality and more potentialities of developing into a vigorous force in rural economics than in any other part of India. The number of co-operative societies in that Province exceeds 7,000, and continues to grow from year to year. There is even then considerable scope for expansion, for, as the Registrar observes, there are still 40,000 money-lenders in the Province, who encounter no rival in four-fifths of the villages. The movement, though deriving its main strength from rural co-operative credit, has, during the last few years, been extended to other aspects of rural life and even to the distribution of articles of daily use to the urban classes, and the revival of cottage industries like weaving. Efforts have been made to organize on co-operative lines the supply of domestic and agricultural requirements to members of rural societies, the sale of their produce, the insurance of their cattle, the consolidation of their holdings, the introduction of pure seed and improved methods of agriculture through demonstration farms, the settlement of disputes by arbitration, and the provision of adult education. And the rural credit societies are financially stronger than anywhere else because of the large proportion of owned capital they command. The only defect is the lack of voluntary helpers, drawn from

sections of the community known as the intelligentsia, and the consequent necessity of engaging a large paid establishment controlled by Government, either directly or indirectly. The movement seems to enjoy a rare immunity from criticism and suffers from lack of guidance from the unexpert public of the Department's policy and methods of working. As Mr. Calvert says, outside the circle of Government officials, experts are few. He will admit that experts will arise if outsiders are given an opportunity of participating in the direction and control of the movement and of getting initiated in the difficulties of administration. It is doubtful if this opportunity has been allowed in the Punjab. The Provincial Union which has as its members, central banks, banking unions, and supply unions has yet to develop into a body capable of representing the opinion of non-official co-operators on questions of policy. Its main work at present consists in the control of primary audit. This it arranges through a staff paid out of contributions raised from different classes of societies. The Union is also supposed to undertake the functions of apical institutions in regard to banking and supply, but it is satisfactory to learn that it will shortly divest itself of these functions and transfer them to a provincial bank and a wholesale society, respectively.

In spite of recent developments, agricultural credit societies continued to be the pivot of the co-operative movement in the Province. Their numbers increased from 5,087 to 6,614 during the year. There was a rise in the number of members from 1,46,004 to 1,76,763, and in the working capital from Rs. 1,53,29,714 to Rs. 1,74,76,971. The owned capital formed nearly 55 per cent. of the total resources, shares contributing 51 lakhs, and the reserve funds to 46 lakhs. Deposits from members amounted to 11 lakhs, and though this compares rather unfavourably with the corresponding figure in this Presidency, it should be remembered that instalment shares form an integral part of the co-operative system in the Punjab and that after the payment of share subscriptions annually members are not likely to have any considerable savings left to be deposited in their societies. Still, by encouragement of savings and short-term deposits some savings can be attracted in well-established rural societies, and voluntary thrift developed as a feature of the system of co-operative credit. Deposits from non-members were, considering the number and size of societies, not substantial, amounting as they did only to 10½ lakhs. Loans from central societies constituted a third of the working capital, and over 1,000 societies were quite independent of any financing agency. In about 700 more, members were reported to be freed from all outside debts, while in a few districts, members in the aggregate owned more capital in their societies than had been loaned to them. The pure Raiffeisen type of society has been introduced in some districts, but the

original type of society, with shares payable in instalments for ten years and made repayable at the end of that periods and with profits remaining indivisible for ever, seems to find greater favour among the rural classes.

Loans advanced during the year amounted to 67.18 lakhs and loans repaid to 68.17 lakhs. Of the advances, nearly 16 lakhs were for purchase of cattle. Both the Registrar and the Local Government interpret the expenditure of this large amount on purchase of cattle as showing that cattle mortality is very high. The figure suggests, on the one hand, the need for the provision of better veterinary aid, and, on the other hand, the value of insurance societies which will cover the loss occasioned to members by the death of their cattle. 22 cattle insurance societies with nearly 600 members were in existence at the close of the year, and there is a proposal afoot for starting a re-insurance society. But a good deal of educational propaganda will have to be conducted before the movement can take deep root among the peasantry. Loans amounting to 15 lakhs were advanced for repayment of old debts, four lakhs more were given for redemption of mortgages, and a lakh and a quarter for purchase of land. In this connection, it is interesting to note that a land mortgage bank was registered during the year, the first of its type, perhaps, in India. Its area of operations covers the whole of a district, and it had, before the close of the year, assisted in redeeming 500 acres of land belonging to thirty members by granting advances to the extent of Rs. 36,874. The scheme of work is to take up for redemption the cases of members who have large areas mortgaged for small sums. Along with the clearance of prior debts, co-operative credit, in order to be successful, has to develop the productive capacity of agriculturists, and, as in some other provinces, the credit societies are permitted to undertake the purchase and distribution of agricultural implements and improved varieties of seed. In a few societies, members are induced to set aside small plots of land for the demonstration of new methods or improved seed. The Registrar dilates at some length on the moral benefits of the credit movement in checking wasteful unproductive expenditure, stimulating the desire for education, instilling ideas of hope and progress, and developing business-like habits. The most important gain in his view is that ordinary agriculturists have begun to feel that they can improve their position by organized self-help, and are convinced that the village credit society is the institution through which they can organize their efforts towards economic betterment.

Reference may be made to some of the offshoots of this movement of rural reconstruction. Societies for running night schools have been started at three places, and a number of credit societies



religiously assign part of their profits to funds for granting scholarships to children of the poorer members. The Co-operative Department has actively interested itself in the formation of societies for the settlement of disputes between members of credit societies by the process of arbitration, and six such societies were at work at the end of the year. Elastic rules have been drafted, and while there is no intention that the societies should usurp the function of law courts, the Registrar hopes that they will be instrumental in reducing litigation even among non-members. Another direction in which socially useful work has been undertaken is the application of the co-operative method towards assisting in the solution of the problem of small and scattered holdings. Recognizing that the fragmentation of holdings involves agriculturists in serious economic loss, the Co-operative Department in the Punjab has drawn up a scheme for the co-operative consolidation of small and scattered holdings. Twenty such societies with 620 members were registered during the year and undertook schemes of repartition. Everyone wishing to be a member of a society has to agree not only to the principle of consolidation but to the method of partition agreed to by two-thirds of the members of his society, and to give up possession of his land for four years if it falls within the purview of the scheme of settlement decided upon by the members. Disputes, if any, are to be referred to arbitration, and at the end of four years, the old possession must be restored unless the members unanimously decide otherwise. Within this period, transfer of ownership is permissible. The underlying idea is that the experience of four years' working will demonstrate so clearly the advantage of converting the cultivating possession into exchange of ownership that of their own accord members will be found to agree to the change permanently. The scheme, it will be admitted, has enormous potentialities for bringing about a revolution in the agricultural outlook of the Province. Increase of the area brought under cultivation and increase in production by intensive methods of cultivation are not the only advantages that are expected to follow in the wake of this project. Consolidation on a voluntary basis must also lead to a diminution in the volume of litigation and the employment of the wealth wasted on it towards socially more useful purposes. Mr. Calvert adduces a few instances to show that the economic effect of the new development has been striking. This may be admitted, but it will be some years before it will be possible to pronounce with certainty that the method adopted has proved successful in eradicating the evil.

The total number of non-credit agricultural societies was 217, with a membership of 4,000, and commanding a working capital of Rs. 3½ lakhs. The most interesting development of non-credit co-operation in the Punjab during recent years has been the organization, on co-operative

lines, of the supply of domestic requirements and agricultural requisites for members of rural credit societies. Both supply societies and unions of credit societies for purposes of supply have been started. The former type of society is not very popular and there were only 27 supply societies at the end of the year as against 117 supply unions. Sales through these agencies amounted to Rs. 5.18 lakhs, while sales were made through central banks and banking unions to the extent of Rs. 3.13 lakhs. To assist in the development of the work of the supply societies, an information bureau has been organized by the Department, and placed in charge of the Special Inspector of Supply Societies. Regular information on trade matters is sent to supply societies, their inquiries receive prompt attention, and they are even assisted in the task of making purchases. The working capital of the supply societies and unions was nearly three lakhs, the owned capital being less than a sixth of this. A lakh was raised from public deposits and deposits of neighbouring societies, and nearly a lakh and a half from central banks. Among the other non-credit societies were 37 for production and sale, included under this head being four ghee societies, two milk societies, two seed and demonstration farms, 26 sale societies, and three commission shops. The special sale societies have not succeeded owing to a lack of the necessary business acumen among those conducting them, and co-operative agencies to arrange sales on a commission basis have been found more popular and useful. There were only seven other non-credit agricultural societies, one a silt clearance society and the other six societies for the reclamation of waste lands.

The number of non-agricultural societies continued to increase, and was 240 at the close of the year, as against 172 at the end of the year 1918-19, and 45 in the previous year. The membership increased from 13,244 to 14,891, and the working capital from Rs. 5,39,560 to Rs. 5,55,209. Half of the capital was held by the credit societies. 112 were supply societies, 60 industrial societies, and 68 credit societies. 59 of the credit societies were of the unlimited liability type. Among the nine urban credit societies there were employees' or departmental societies. Weavers' societies increased from 38 to 49. To assist these societies there is one central store with a capital of three quarters of a lakh of rupees, and two unions for supply, education, and supervision. The purchases of raw material for weavers made through these agencies were worth Rs. 2.53 lakhs, and sales for a like amount were also effected through them. There were also classed as industrial societies, eight societies for dyers, two for blacksmiths, and one for oil-men. The supply societies had a membership of 9,650, and a working capital of Rs. 1,70,793. Their sales of goods amounted to 5.42 lakhs. The Registrar is yet unable to pronounce

whether this branch of the co-operative movement is likely to thrive in the Province.

Central societies increased from 57 to 80, and had a membership of 7,476 of which 5,562 were society-shareholders. Three among the central societies were the weavers' unions referred to above, 27 were central banks of the mixed type, and 50 were banking unions composed purely of societies as members and carrying all their profits to the reserve fund without payment of dividend on shares. The total working capital of the central societies increased during the year from Rs. 71,75,216 to Rs. 92,42,168. Against 41·5 lakhs held as outside deposits by the central societies they had as cover ten lakhs in cash and investments, and, besides, commanded undrawn credits amounting to five lakhs from the Bank of Bengal. The central banks had a capital of Rs. 71 lakhs to which shares contributed 10½ lakhs and reserve funds 3½ lakhs. Deposits from societies amounted to Rs. 8½ lakhs and other deposits to 36 lakhs. 12 lakhs were held as loans or deposits from central banks, indicating that interlending among the banks, which could be avoided by starting a provincial bank, prevailed to a large extent. The banking unions had a capital of 20½ lakhs to which share and reserves contributed 2½ lakhs. Deposits from individuals and societies amounted, respectively, to 5½ and 6½ lakhs, and 6½ lakhs were borrowed from central banks. Mr. Calvert is doubtful if the banking unions will be successful in performing their main function which is the provision of prompt and adequate finance for their constituent societies. As deposits do not flow to small unions very freely—except the deposit of the surplus funds of affiliated societies—he suggests that such unions should be organised in localities where local deposits can be relied on. We would go a step further and insist on smaller banks being started only in centres of intensive co-operative development with a compact group of societies round them, and would provide that no centre need be selected unless it is a place of some importance in commercial and banking development. That the unions have been of great service in providing a field for the training of rural co-operators in the elements of banking, Mr. Calvert recognizes. The members of rural societies take a real and lively interest in their working, and by attending their general meetings assist in laying down their lines of business and in moulding their general policy. Finally, as their areas of operations are small, supervision over affiliated societies can be arranged much more effectively through voluntary agency than is possible in regard to central banks.

#### BARODA

In these columns we have had published now reviews of the progress of co-operation in all provinces of British India for the year 1919-20, and

of the most important Indian States for the year 1918-19. So backward, however, is the State of Baroda in issuing for public information records of the activities of different departments of the State that we have to offer to our readers in this issue a resume of facts relating to co-operation in Baroda which are now nearly two years old. The Registrar of Co-operative Societies in Baroda submitted his report to his Government a year after the close of the official year 1918-19, and it was four months after that date that the report was issued to the public with the orders of the Dewan Saheb. Naturally enough, with the State authorities so slack in regard to publicity, there does not seem to be any genuine popular enthusiasm for the movement in the State, and the Registrar has to lament the lack of non-official helpers in the cause.

72 new societies were registered during the course of the year, and 14 had their registration cancelled. So the net increase in the number of societies was 58, from 359 to 417. Agricultural credit societies increased in number from 320 to 377, their membership from 9,510 to 11,216, and their working capital from Rs. 8,56,986 to Rs. 13,19,328. Shares contributed Rs. 45,008 to the total capital, and reserve funds Rs. 1,82,351. An equal amount was held in deposit from non-members and a lakh and a half in deposit from members. Loans from Government amounted to Rs. 1,16,470, and the rest of the capital was derived from central banks. Of ten lakhs advanced as loans over 40 per cent. were intended for purchase of seeds and manures, and nearly 12 per cent. for repayment of old debts. Eight of the societies were for non-credit purposes, two being milk supply societies and six irrigation societies. Great difficulty is experienced in placing the work of the milk societies on a business-like basis, and not much progress is reported even after the appointment of a veterinary surgeon as special officer. The carrying on of non-credit activities by credit societies is not approved by the Registrar who favours the starting of separate societies for purchase and sale.

There was an increase of one only in the number of non-agricultural societies. Of the 36 societies of this type, five were employees' societies, thirteen weavers' societies, five Chamars' societies, and two societies for the Antyajias or untouchables. Nine were ordinary urban societies and the remaining two were stores. The total membership of these societies was 2,207, and the total working capital Rs. 2,14,186. In this group, the best societies seem to be some of the urban banks which command good a capital and effect punctual recoveries.

In the earlier years, the entire movement in Baroda depended for its finances on the State, but loans from Government now constitute

only a tenth of the capital of the movement. Central banks have been started in the State, and though some of the banks hold Government funds, such moneys are held as ordinary deposits of the surpluses of the State. The number of banks was four, and their working capital at the close of the year was Rs. 5,96,771. Of this capital, a fifth represented deposits from the State, and nearly two-thirds was raised by outside deposits. One of the main defects of the banks is the absence of any touch between them and the primary societies affiliated to them, owing to their failure to engage any supervising staff. Only one of the central societies, a banking union composed entirely of societies, has arranged for the supervision and guidance of its affiliated societies over whose working it has exercised a salutary influence. Besides the central societies, there were four agricultural banks, not incorporated under the Co-operative Societies Act, which made advances to co-operative societies. The working capital of the banks was Rs. 2½ lakhs at the end of the year, of which over a fifth was contributed by the State. The banks' main purpose was to grant loans to individual Khatedars, but at the close of the year 1918-19, they had nearly a lakh of rupees invested in co-operative societies. It will be interesting to know why the banks cannot be registered under the Co-operative Societies Act, and their working assimilated to that of central banks. It may be that they supplement the work of rural primary societies by giving large advances on mortgage security, and, therefore, it will be difficult, if not wholly undesirable, to restrict their business to the financing of co-operative societies only.

#### CEYLON

Though Ceylon is not a province of India, the co-operative organization in that island is modelled so closely on the system prevailing in India that it will not be improper to include under the article headed "Progress of Co-operation in India", a survey of the growth of co-operation in Ceylon. During the year 1919-20, the number of societies increased from 103 to 136, and their membership from 11,310 to 15,210. The societies commanded a working capital of Rs. 1,40,000 of which nearly a lakh was contributed by shares. Loans held from Government amounted to Rs. 13,000, and deposits from members to Rs. 6,500. The aggregate reserve funds stood at Rs. 14,600. There were only four non-agricultural societies, while the remaining were rural credit societies mostly with an unlimited liability. A feature of the working of the agricultural societies is their undertaking the supply of agricultural requisites such as seed or manure as an essential part of their functions. Manure for paddy of the value of Rs. 27,477 was supplied through the societies and it is proposed to start, what the Registrar calls, a central paddy agricultural bank. This institution is intended to purchase paddy on wholesale terms and to distribute

it on credit societies affiliated to it. Another activity to which reference may be made is the practice of permitting societies to lease Crown lands for growing food crops. A society which obtains the lease gives over the land to such members as will cultivate it on the share system. This practice is encouraged with a view to stimulate the increase of local food production. The furtherance of co-operative education is not neglected. Lectures have been arranged on topics connected with co-operation, and a training class is proposed to be organized. There was held during the year a conference of co-operative societies at which a number of very interesting subjects appear to have been discussed. The conference adopted a resolution approving of the starting of unions and central banks for granting financial assistance to primary societies, and of a central supply society to facilitate the supply to them of manures, seeds, implements, and other requirements. It pleaded for facilities for the lease of Crown lands to credit societies and approved of the registration of mutual provident associations or money-lending clubs, preferably under the Co-operative Credit Societies' Ordinance.

## REVIEWS

### Report of the Baroda Economic Development Committee. Baroda.

It is a common charge against the India of to-day that her people are so thoroughly divided against themselves and among themselves that it is hopeless to expect them to set afoot any concerted scheme of reconstruction in any department of their national life. To this charge the reply commonly made is that the smaller units resulting from the internal division of this country make it all the more easy to take in hand not thoroughly proved propositions of national reform, but experiments in every department of national life for our country's development. It is a plea which seeks to justify the caste and sub-caste, as well as the Indian States and the British Provinces. Carried to its logical conclusion, it culminates now in the generally accepted idea of provincial autonomy in the national politics of India, presumably in the belief that the smaller sphere of provincial administration will not only afford a greater scope for the Indian element, but also facilitate the wider scheme of national development being initiated on a narrower basis. It is impossible entirely to accept this ideal which undermines our national solidarity. It is, therefore, not possible to accept, without reservation or protest, the existence of Indian States, which are like a wedge thrust into and against the realisation of national aspirations. The recommendations of the Committee, appointed by the Baroda State

to suggest measures for the development of the economic life of the State must, therefore, be considered exclusively in a parochial light. Such criticism as one feels inclined to advance against individual recommendations will be shorn of all its importance not only because the critic cannot always command sufficient local knowledge but also because the recommendations, taken collectively and considered parochially, cannot be regarded as anything more than a local experiment even if and when they are allowed to materialise.

The Report under review is a weighty document of 300 pages, including appendices giving valuable statistical and other information with regard to the present economic life of the State. It is impossible to do justice to all the recommendations of such a document in a brief review. We need, therefore, only record that the Report displays a great deal of erudition; a wide knowledge of socio-economic experiments being conducted in other parts of the world, with a clearer grasp of human psychology—a factor very often ignored in the Government Reports in British India—than is commonly met with in any such documents. In conformity, however, with the general principle mentioned above, considering these recommendations as interesting experiments on a limited scale, we shall select two or three of the most prominent recommendations, examine their bearing, and make such suggestions as the general scheme of all the recommendations requires.

The most important question in Baroda, as in British India, is that furnished by the agricultural wealth of the State. Of the total population of 2 million persons in 1911, about 2,50,000 were engaged in industries of all kinds, and about a million and a quarter were engaged in agriculture either as land-holders, tenants, and sub-tenants, or agricultural-labourers, making 63 per cent. of the population. The total land of 6,292,465 bighas was held by 321,570 khatedars or registered holders. Nearly 76 per cent. of the land, however, was in holdings of less than 25 bighas, while holdings of over 500 bighas numbered less than .1 per cent. This excessively small size of the average holding makes it impossible for any extensive cultivation to be adopted unless some scheme of preventing sub-division of agricultural land is adopted.

The Committee observe: "The fundamental problem in the agricultural economics of the State is that of the scattered and minutely subdivided holdings of the cultivators making the cultivation difficult and costly. No far-reaching improvements on a scientific basis are possible so long as the present system of holdings remains." They have also pointed out the other defects of such sub-divisions, such as waste of labour and cattle power, waste of land in hedges and boundary marks, waste of

manure and other articles, impossibility of economic irrigation works, defects of transport, or changes of crops, and the like. The Committee, however, have not suggested any radical measures for the effective cure of this all-India evil. Stated briefly, the Development Committee rely on the growth of native sense and the realisation by the cultivators themselves of the uneconomic nature of such sub-division of agricultural land for curing the evil. It is impossible to expect any definite, final, effective cure for land morcellment in India without a scheme of wholesale land purchase and redistribution; without, therefore, recasting entirely the land revenue policy whether in British India or Baroda; without, in fact, totally revising our ideas of all landownership whether in British India or in Baroda.

Nowhere is the economic law of diminishing returns so distressingly perceptible as in the case of agricultural land in an old country. There is no room for expansion. Cultivable wastes are limited, and forests must be preserved, while mountains cannot be cultivated. In such countries, therefore, increase of agricultural wealth is feasible only by a greater degree of co-operation, a closer affinity between the forces of production and distribution, a greater co-ordination between the territorial and human division of labour. All these cannot be accomplished without a wholesale agrarian revolution of the type indicated above. There must be allowed no ownership in land, if ownership means sub-division. There must be allowed no exclusively proprietary rights in land, if such proprietorship spells the ruin of agricultural land whether by the inability of the small proprietors to undertake and carry out large schemes of economic husbandry, or owing to their ignorance, indebtedness, or conservatism.

Similar reflections are suggested by the recommendations of the Committee with regard to agricultural indebtedness and the prevalence of usury. The fact of the prevalence of usury is not contested. The degree of ravages wrought by the evil is a matter of individual opinion; but the cure for this evil must be considered a national problem of the highest urgency. It will not suffice to rely, the Committee have themselves realised, on the law of *damdupat* or on a maximum legal limit of interest allowed. Given the Indian agriculturist, with all his apathy and prejudice, it is absurd to expect him to be able to fight all the wiles of an expert money-lender, and it would be superhuman to expect the ordinary District Judge and his subordinates to go into the details of each suspected case of agricultural usury that may come to their notice.

In Baroda, as in British India, the only remedy we can think as at all likely effectively to cure the evil of agricultural indebtedness is a whole-



sale repudiation of such indebtedness, unless each case of debt contracted by the agriculturist has been properly registered and satisfies the law regarding the fairness of the rate of interest on loans. Even this last clause is a concession to the commercial conscience of the community which will not permit what might easily be travestied into a national suspension of payment. We advocate nothing of that sort. The agrarian Shylock has in 99 out of 100 cases received more than double or triple the sum advanced by him. There is, therefore, no real injustice in preventing him from preying upon the weakness of his clients in future. The idea of the agricultural bank is on the face of it attractive. But agricultural banks, like industrial banks, will not realise their object unless agriculture is made much more profitable than it is to-day ; unless a greater degree of mobility is imparted to agricultural wealth than is possible to day ; unless, in brief, the evils enumerated above are remedied. The bank, by its very nature, can afford facility for exchange, but it cannot add to the volume of agricultural wealth, however much it may increase its mobility. A land bank must be a losing proposition unless and until our land laws are recast, unless and until our landholders are redeemed from the besetting sins of private proprietorship.

The same policy of suggesting palliatives on the proved orthodox lines characterises the recommendations of the Committee in the matter of industrial development of the Baroda State. The extension of the departmental staff told off to consider industrial possibilities of the State and to watch over the exploitation of these possibilities ; the carrying out of investigations into the material resources of the country and the granting of necessary chemical and engineering assistance for a more rapid development of these resources are in themselves excellent suggestions and must as such be approved. But the Committee have touched upon the root problem of modern industrialism in India when they write : " Being subject to the same economic system as holds in British India, we, in co-operation with other Native States, should persuade the British Indian Government to adopt such a tariff policy as would develop the resources of India to the best advantage of her people."

So long as the industrial policy of the whole of India does not abandon the exploded doctrines of the *laissez-faire* economists, there is no hope for a recrudescence of industry in this country. It is hard to believe in the possibility of the old type Indian industry contending successfully against modern machinery with its infinite possibilities of an increase in output, of regularity, precision and finish in the produce, to believe in the struggle of the hand-loom against an up-to-date mill. India must adopt the industrialism of West if she desires material prosperity. But that does not necessarily mean that she must also invite and accept all

the evils of Western industrialism. We need no more have the slum than the profiteer. If we would not have the Trust, we need not necessarily revert to the village craftsman—crude, inefficient, ill-equipped. If we are warned in time by the examples of Western countries, we can easily avoid those glaring inequalities in the distribution of wealth which makes the Western proletariat so discontented and pugnacious. The Committee have suggested: "That we may not repeat the mistake of Western industrialism and thus avoid the creation of slums with all their demoralising effects upon labour, we propose that a survey be made of industrial towns, and the industrial suburbs be prohibited from being put to any other use; that the administration of the rules for factory sites should be entrusted to the Department of Industries, which should get a competent engineer to prepare plans for industrial sites; that the applications for factory sites should be forwarded by the Vahiwatdars to the Director of Industries, who should decide them; that industries using coal and employing more than 100 men should be located outside the town; and that permission to build factories should be given only after being satisfied that proper provision has been made for housing the labourers where it is necessary."

Considered as an experiment, the suggestion is more excellent in intention than likely to be feasible in practice. One is sceptical as to the possibilities of segregating the slum if once we accept the necessity of the slum as an unavoidable corollary of modern industrialism. If, however, the bulk of the recommendations are given effect to, the regeneration of the State in the limited life in which the Committee seem to have interpreted their reference is not beyond the possibility of an early accomplishment. But the Committee have utterly ignored the much greater evil of modern industrialism—its shocking inequalities. Unless attempts are made, at the outset, in countries now free from but intent on developing modern industrialism, to prevent gross inequalities of wealth by a more human consideration of the needs of labour, the well-meant suggestions and experiments of the type contained in this Report will come to naught.

The reflection, however, that a general review of this Report cannot help striking the average reader is the great disparity that prevails in this country between intention and execution. We have mentioned above the one justification of small units as being suitable field for setting afoot bold experimentation. Experience of the Indian States with the most intelligent rulers at their head does not, however, justify too sanguine an expectation of immediate effect being given to such suggestions, however mild, orthodox, and acceptable they may be. Whether it is that the more intelligent amongst rulers have perceived the trend of modern

education to divorce itself from the customary homage paid to position and rank, and the consequent consciousness of ultimate instability in their power to do good ; or whether it is the influence of present-day society tending to make persons in the position of Indian Princes miserly and self-centred, the fact remains that the most advanced of Indian States cannot show a record at all comparable to the British administration in India, with all its defects of unsympathetic personnel and uncongenial axioms of administration. Time was when the Gaikwar of Baroda was regarded as the bean-ideal of Indian Princes. We are unable to call to mind any recent act of His Highness which would justly point him out as a benevolent despot, much less as a progressive statesman. Consequently, scepticism about the possibility of the recommendations of this Report being adopted in Baroda, in spite of the distressing state of illiteracy and low-vitality exhibited by it, is the only note that the careful reader can sound in any review of this kind.

K. T. S.

**The Bases of Agricultural Practice and Economics in the United Provinces, India.** By H. Martin Leake. Heffer and Sons, 1921.

This is a book for which we have waited long. Up to the present we had to rely on books written in Europe or in America to give an outline of those technical and economic factors in agriculture which determine its success. And such foreign books are very unsatisfactory and inadequate. They have a different outlook from that which is almost unusual here. The ideal of farming they represent is not ours. The illustrations they use to show what they mean are foreign to us. They—most of them at any rate—deal with conditions where the factors limiting the success of agriculture are those of moist, temperate climates, while here our methods and results are both determined by high temperature and lack of water during a large part of the year.

More than all, the authorities which we have been compelled to get our students to read, because there were no others, have been written in countries where farmers are at least men of moderate capital or are in a position to command capital, and have the capacity to use it when obtained. Hence their applicability to India has been still more doubtful on the economic side, where farming almost without capital is general, and where, if capital in large amounts is provided, it is certain\* to be misused from lack of experience.

Hence we welcome Mr. Leake's book, which is admirably clear, is based on an intimate knowledge of the technical side of agriculture in Northern India, and is replete with examples taken from the author's actual experience. In the chapters dealing with agricultural economics,

Mr. Leake's view is orthodox, and he makes an extremely lucid statement from that point of view. His definition of 'illegitimate' profits of a money-lender as against what he regards as 'legitimate' profits is rather amusing, and would, I fear, hardly stand critical examination, but the statement of the principles of co-operative credit is very good indeed. I would commend to the consideration of all co-operators the chapters on the 'principles of co-operative sale', and on 'additional openings for co-operative activity', out of which one can hardly fail to get fresh ideas as to the essential principles or as to the limitations of the co-operative movement.

And yet, with all this commendation—and I consider the book as admirable within its limits and well worth study by all interested in Indian agriculture—it is not quite *the* book for which I am waiting. I sometimes wonder whether an Englishman, bred as he is in a totally different atmosphere, can ever write a book which will actually and fully interpret Indian agriculture and the conditions under which it is conducted. The present treatise makes a very fine attempt to do so—and nearly succeeds, but not quite. And as an attempt to give a vivid picture of Indian agriculture to the readers, the book fails. The atmosphere is wanting. The dry material out of which Indian agricultural practices have grown are there. The living spirit of the people, which has made the rural life of India what it is, cannot be realised from Mr. Leake's very interesting and valuable book. And yet it is this living spirit, this factor in rural life which is innate in the character of the people, which gives to Indian agriculture its most outstanding features and characteristic developments. It, hence, forms perhaps the most important 'basis' of agricultural practice and economics.

And, if I mistake not, this element in Indian agriculture which is innate in the people themselves, is perhaps one of the most difficult things in India, for us Englishmen to grasp. I can imagine the same outlook on life which I have found among the rural population of several parts of India, also occurring among the peasants of Russia, in the people of the peasant States of the Balkans, and it may be (though more doubtfully) among those of certain parts of France and Belgium. It may even be recognised in Ireland. But in England it is almost wholly wanting; and we, who have grown up in an English atmosphere, where the so-called laws of economics have for a hundred years silenced the voice of sentiment and devotion to the land, find it very difficult to catch the ideas and ideals at the back of the mind of the Indian cultivators. Hence, I still want another book, containing all the material so clearly and lucidly put by Mr. Leake, but instinct with the atmosphere of rural Indian life, which is so pervading, and yet to me at once so charming and so elusive.'

HAROLD H. MANN

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**Review of Agricultural Operations in India, 1919-20.** (Superintendent, Government.  
Printing, Calcutta. 1921.)

This annual publication of the Government of India which used to be published under the title "Progress of Agriculture in India" has been given a new and much more appropriate title. This year the arrangement of the subjects is also better. Work in connection with the various crops was conducted on the usual lines, and there is very little of special interest, except that in spite of the efforts of the Agricultural Departments and in spite of the impetus given by War, the indigo industry shows no signs of healthy revival. The Research and Investigation work was mainly of a routine character and some of the items included in the chapter on the subject can hardly be called "Research". The investigation about nitrification and nitrogen fixation carried on at Pusa and in the Punjab are important and interesting.

The Agricultural Engineering section is certainly the most disappointing of the Departmental activities. The excuse of "shortage of staff" has become sufficiently stale now to be dropped. Beyond well-boring, there is very little to the credit of the Agricultural Engineers, and even well-boring operations were being successfully carried on before the highly paid Imperial Agricultural Engineers came in.

In this respect, one of the two States, whose work has been reviewed in this publication, shows better results. The Mysore Department could bring out a new design of ploughs, and could effect an improvement in gul furnaces. Referring to motor tractors, the Agricultural Advisor remarks, "The development of such crops as sugar-cane depends on more extensive tillage just as much as increased supplies of manure and water." This is perfectly true, and yet in the Deccan the use of motor tractors has been made impossible by the obnoxious rules made by the Irrigation Engineers, and the Agricultural Engineers have done nothing to remove this difficulty.

In reviewing District Work, the Agricultural Advisor remarks that as a result of the activities of the Bombay Agricultural Department, "in spite of high prices, there are now many parts of the Presidency where iron ploughs are in regular use in large numbers". No small part of the credit for this awakening is due to the activities of Messrs. Kirloskar Brothers who manufacture these ploughs. For any new implement to be introduced amongst farmers two things are necessary, first, it must have distinct superiority over the implement to be replaced, and, secondly, it must be made in India so that a regular supply at reasonable price and an efficient spare-parts service can be maintained. Messrs. Kirloskar Bros. have been able to fulfil the second condition. In District p ropag-

ganda work, co-operative societies are naturally in a position to play an important part, and it is gratifying to note that co-operative societies in the Madras Presidency have been successful in this direction. The same could hardly be said of the Bombay Presidency. The entire detachment of the Co-operative Department from the Agricultural Department in this Presidency may have led to administrative efficiency, but it has had this one effect that the co-operative movement is losing touch with the activities of the Agricultural Department.

In Agricultural Education, the experience of Madras and the Central Provinces is instructive. Both at Coimbatore and Nagpur, a mixed certificate and diploma or degree course arrangement has been tried and in both places it has failed, making it necessary to separate the two courses altogether. Whereas the two Agricultural Middle Schools in the Central Provinces have proved to be failures, the Vernacular Agricultural Schools in practically all the provinces, where they have been tried, have become fairly successful. The experience gained so far shows that there is a demand for two kinds of Agricultural Education in India, namely, (1) a regular full-grade University course where agriculture is taught along with its allied sciences and which gives a definite status to the passed student, and (2) practical instruction in agriculture coupled with ordinary knowledge of the three R's in the vernaculars. It is gratifying to note that at Pusa arrangements are being made for a post-graduate course so as to give suitable training for the Imperial Agricultural Service.

In the development of agriculture, the co-operative movement plays a very important part and although some progress has been made, to achieve better results it is necessary to establish closer relations between the Agricultural and Co-operative Departments. The Agricultural Advisor recognizes this, but unfortunately the tendency in the provinces appears to be in the other direction. One could go further and say that not only the Departments of Agriculture and Co-operation but the Department of Industries also must be so linked that they can co-ordinate and supplement each other's efforts. At present, there is no official link to join these three Departments except perhaps the Minister if he happens to hold all these portfolios. Towards the development of non-credit co-operation, the Punjab has been doing some experimental work of a very interesting and important character which will have very far-reaching effects if these experiments become successful. Co-operators in other provinces should keenly watch how the societies for Arbitration and the Consolidation of Holdings work in the Punjab. As many as 20 societies with 600 members were formed during the year for consolidation of holdings. The principle underlying this movement is very interesting. Each individual applying

for membership "must agree to the general principle of consolidation. He must promise to abide by any method of partition approved by two-thirds of all the members, and give up possession of all his land for four years in accordance with the plan of reparation so approved. He must farther agree that all disputes should be referred to arbitration. The possession given is cultivating possession for four years. At the end of four years, the old possession must be restored unless all the members unanimously decide otherwise. In the course of the four years, transfer of ownership is permissible. The society comes to an end in five years". This is one way of removing that bane of Indian agriculture—small and scattered holdings—and it is hoped that something tangible will come out of the experiment.

G. N. S.

**The Indian Point of View in Economics.** By Mr. D. A. Shah, M.A., LL.B.

(Published by the Bombay Vaibhav Press.)

This booklet by Mr. D. A. Shah, is a reprint of the Prize Essay in the University for the year 1916, reproduced in the form of articles published from time to time in the Journal of the Indian Economic Society. Being a reprint, it is unavoidably not free from blemishes peculiar to itself owing to fast changing conditions in the domain of Indian economics, but still it is a praiseworthy treatment of certain very important economic problems from the Indian standpoint. Text-books on economics in India are still very few, and the requisite information is scattered through a large number of blue-books, reports, and the writings and speeches of eminent Indian publicists, often inaccessible to the general reader. The paramount importance of the study of Indian economics itself has only of late been understood, and the provision of research into the economic domain made by the University is anything but satisfactory. Hence we find in India general ignorance of economic problems even among the cultured. Under the circumstances, any pamphlet dealing with Indian economic problems is most welcome as arousing the necessary interest among the public and getting it acquainted with the chief features of the economic organization and development of this country. The object of this little pamphlet is to show, without any political bias, how principles of economics can be applied to Indian conditions. The first part of the pamphlet is mainly devoted to a discussion of the views and opinions of modern economists, Dadabhoy, Digby, and Dutt, and the author shows how their studies were rendered nugatory by being partial and one-sided. With Ranade, the new school of thought takes its birth, and since then many able contributions have been made to the

domain of economic thought. In the next few pages, Mr. Shah passes over a number of interesting problems such as production, distribution, exchange, currency, drain, and the fiscal policy of Government, and treats them with ability in an independent manner. In his seventh chapter, we find an excellent treatment of drain and poverty in the light of new facts (perhaps the best portion of the whole work) and Mr. Shah arrives at free and independent conclusions so rare to find in a work on economics. For example, in tracing the causes of Indian poverty, Mr. Shah says: "The new organization of industry increased production to an extent undreamt of before and brought unheard of wealth to the countries that successfully adopted it. India practically remained stationary, and, therefore, relatively went backward. It is rather this lagging behind rather than positive going back that is responsible for her relative poverty." A small defect of the pamphlet is perhaps its constant reference to authorities at almost every page, often jarring in effect as it retards the free attention of the reader. However, the pamphlet is a valuable contribution to the scanty literature on the subject. Mr. Shah will, we hope, amplify his studies further in a bigger volume for the benefit of the student of economics and the general reader, and we heartily congratulate him on his production and earnestly commend its study by all co-operators.

K. R. KULKARNI

## EDITORIAL NOTES

The Registrar's annual report on the working of co-operative societies in this Presidency during the year 1919-20 was reviewed in this journal in December 1920. The Government Resolution on the report was issued in the middle of December, but neither a copy of the Resolution nor of the report accompanied by the Resolution has been supplied to this journal, and we owe our ability to reproduce the Resolution in this issue to the courtesy of a kind friend. The Resolution itself is of the usual type. Government have a most facile habit of altering their angle of vision with every change of personnel in the office of the Registrar, and hence they accommodate themselves quite conveniently to several of the opinions strongly held by Mr. Rothfeld, opinions which often run counter to their previously declared policy. This is evidenced by their readiness to fall in with the Registrar's view of the Wholesale Society, the formation of which they themselves approved last year. While absolving the Directors of that institution from much of the criticism passed on their work by the Registrar, Government now seem to feel that this

Co-operation in  
Bombay



project, which they had fostered actively, is fraught with certain inherent defects and that the primary consumers' societies were organized on erroneous lines. One wonders why Government could not have said so when the late Registrar expounded before them the position while approaching them for the promulgation of some new rules to govern the business of consumers' societies. A similar change of front is observable in connection with the modified attitude adopted towards unions. Less than five years ago, in response to the recommendation made by the Committee on Co-operation, and after having subjected that recommendation to careful examination at a conference, it was decided to encourage the formation of unions as an integral part of the co-operative financial system. Other views now prevail in the Department, and Government, having no settled policy of their own, find no difficulty in agreeing to the Registrar's depreciation of the usefulness and value of guaranteeing unions as responsible agencies for supervisory purposes. And not realizing the exact bearing of Mr. Rothfeld's observations on the importance of district banks, Government justify the altered policy on the ground of preventing over-centralization of finance in the Provincial Bank. Now, all who understand co-operative banking are agreed that centralization is inseparable from efficient finance, which consists in tapping cheap sources of capital, concentrating fluid resource, providing banking facilities, and so forth. Decentralization, on the other hand, is absolutely essential for purposes of supervision and control. And, everyone, who studies the position, will agree that this can be secured better through guaranteeing unions which can be educated to their duties and functions rather than through central banks, which being banking institutions with a body of outside share-holders look to profits and do not readily agree to undertake supervision as one of their essential functions.

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As the Government of India declared that they did not wish the Registrar to continue as Chairman of the Bengal Co-operative Federation for more than three years, that body has, therefore, decided to elect as its Chairman, a well-known non-official co-operator, Mr. I. B. Dutt of Comilla who is a member of the Bengal Legislative Council. Another noteworthy appointment in Bengal is the election of the distinguished scientist, Sir P. C. Ray, as President of the Bengal Co-operative Organization Society. The former body is the apical bank for the Presidency, while the latter is a propagandist and educational institution, which has now completed the third year of its existence. Though it has among its office-bearers some of the leading public men in the Presidency, the number of its individual members is very small. There were, at the end of the year,

Bengal Co-operative  
Organization  
Society

four patrons, twenty-five life members, and fifty-four ordinary members; the number of affiliated societies was 1,000. The Society gets an annual subvention of Rs. 1,980 from Government, and its income from this source and from subscriptions is just sufficient to balance the expenditure. The last report of the Society does not indicate any special developments of its work during the past year. The English and the Bengali journals continued to be issued regularly, and the latter, particularly, it is stated, has been found a very "potent instrument for propagating co-operative ideas in the mofussil." Five pamphlets were published during the year, all being reprints of lectures delivered under the auspices of the Society. Three local conferences were held during the year, under the joint auspices of the Society and the local central bank, and a conference was also convened of representative of co-operative societies in Calcutta to consider a proposal for starting a central store for the benefit of members of various societies in that city. There is a library attached to the Society, containing some 140 volumes. The Society has become a central bureau of information, inquiries are addressed to it from various quarters, and its assistance is sought in drafting bye-laws, ascertaining facts and figures, and tracing authorities and precedents from standard works on co-operation. These are very useful activities in themselves, but they cannot, howsoever efficiently performed, enable the Society to assume its proper role in the movement. As the body representative of independent co-operative opinion, the Society should be more ambitious in its aims and seek to have transferred to itself a good number of the non-statutory functions now performed by the Registrar, and to participate actively in directing the policy of the movement. This should not be a difficult task when the Society has Dr. Ray as its President, for Dr. Ray is more eminently fitted than any other distinguished Bengali to lead it to this goal.

Lord Ronaldshay opened the Eleventh Bengal Provincial Co-operative Conference which was held at Calcutta in the last week of February. The Hon. Saiyad Nawab Ali Chaudhri, the Minister in charge of the Department of Co-operation, presided, and the Registrar acted as Secretary. Both Bombay and Madras now have their Provincial Conferences organized through their respective provincial non-official organizations, and it is to be hoped that Bengal will follow suit and future Provincial Conferences will be held under the auspices of the Organization Society. A full report of the proceedings of the Conference is not yet available, but in the last issue of the Bengal Co-operative Journal are published the resolutions which were adopted at the Conference. The Conference has recommended that awards of arbitrators be made recoverable by the Certificate Procedure instead of

through the Civil Courts, while in another resolution it is proposed that the debts of a refractory member of a society should also be made recoverable in the same manner. This is a type of concession the grant of which is undesirable both in principle and in practice. The bestowal of summary powers of recovery on co-operative societies will strike at the root of one of the fundamental principles of the system of co-operative credit, nay of all sound business, namely, that those who conduct the affairs of an institution shall be responsible for failures and losses, and should exert themselves to secure its position. To make the State responsible for the realization of the dues of a society which has been negligent in the selection of its members, careless in the issue of loans, and slack in enforcing recoveries at the proper season, is merely to put a premium on unbusiness-like and unco-operative methods of working and to turn the societies into irresponsible bodies. It is the local men who select members, who issue loans, and who watch recoveries, and it is they who must bear the responsibility for the collection of dues. To facilitate and simplify their work, the State has prescribed that costly litigation may be eschewed, and a cheaper and quicker system of arbitration of disputes has been devised. Beyond this, the State should not go, nor concede that the orders of arbitrators and even ordinary claims for recoveries from refractory members, should be executed through the summary process used by the Revenue authorities.

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The other resolutions of the Conference were mostly non-controversial.

#### Resolutions of the Conference

One recommended the establishment of a central provincial agency in Calcutta to arrange for the supply of materials to outside co-operative supply and sale societies and stores and for the disposal of their raw materials and finished products. The functions of the projected society are similar to those of the Wholesale Society which was started in this Presidency last year, but has been in a state of suspended animation for over a year. But we may hope that the proto-type of the Wholesale Society in Bengal will have a better future and will not be confronted at the outset of its career by a fundamental cleavage of opinion between its promoters and the Registrar ! The Conference also approved of the formation of more irrigation societies and urged the appointment of engineers to give technical advice to such societies. A committee of experts was appointed to formulate a scheme for co-operative societies for the sale of jute, which crop possesses the same importance in Bengal as cotton does in Bombay. The experience of the cotton sale societies in this Presidency should be of use to co-operators in Bengal in drawing up the lines of working for societies for the sale of jute. With a view of avoiding duplication of machinery, the Conference

requested the Departments of Agriculture and Co-operation to arrange for the amalgamation of co-operative societies and agricultural associations where these existed side by side, and to develop the existing societies into agricultural associations in course of time. The Conference was of opinion that State aid was essential for developing industrial co-operation and pleaded for facilities for advances to industrial societies as also for grants for experimental and demonstration purposes. It further urged that with a view to encourage the central and provincial banks to finance large industrial societies the Government should guarantee them against losses upto 25 per cent. of the advances made. At a time when the system of guaranteeing unions is under a shadow in this Presidency, it is interesting to find that the Conference approved of the formation of unions with the object of decentralizing the inspection of rural societies.

Under this title, "the Pioneer" of Allahabad indited in December a scathing criticism of the last Bombay Provincial Conference, to which, unfortunately, our attention was not called earlier. As readers of this journal are aware, the last Conference, though convened by the Registrar, was organized, for the first time, on a representative basis. We have had occasion to find fault with some of the arrangements in connection with the last Conference, but no co-operator in this Presidency, and no non-official co-operator in any part of this country; will have anything but praise for Mr. Rothfeld's action in hastening the advent of a representative Conference. The scheme of representation for the Conference, though approved by the Registrar, was prepared by a competent committee of the Central Institute, and we should like "the Pioneer" to suggest in what respect it could be modified. Co-operation in Bombay is not confined to the rural classes, and there has been considerable development of different forms of co-operative activities among the urban classes, developments which are practically unknown and unequalled—except in Madras and in the city of Calcutta—and are unappreciated by officials from other provinces. Our Provincial Conference cannot, therefore, be a gathering of representatives of rural co-operators only. Anyone, again, with the slightest knowledge of the conditions of this Presidency should have realized that the deliberations of a Provincial Conference in Bombay could be conducted only in English, and that this factor must operate as a bar on the number of representatives of rural societies who could participate actively in the proceedings of the Conference. Further, in our Provincial Conferences, it is generally, the practice to discuss questions of principle and policy, and through our local, district,

and divisional conferences whose proceedings are in the vernaculars there is enough opportunity available for the discussion of problems of daily administration, the ventilation of local grievances, and the expression of local needs. These facts may be unknown to 'expert' co-operators in Provinces where conferences local or provincial were unthought of and unheard of till very recently, but they are common knowledge among co-operators in the rest of the country. But the entire standpoint of the writer in "the Pioneer" is wrong. Considering co-operation as a sphere reserved for the benevolent activities of officials he feels offended at the educated classes in this Presidency interesting themselves in the movement, and adopting the pose—now thoroughly worked out—of the real friend of the ryot, questions the utility of such gatherings as our Provincial Conferences, and urges the stimulation of a genuine co-operative movement in Bombay. Withal, he pleads for the creation of more 'experts', through the agency of Government, and the relegation to their proper place of the non-official amateurs who seem to him to dominate Provincial Conferences in Bombay. So the cat is let out of the bag! The consideration for rural co-operators, the longing for a rural democracy are mere poses assumed to deprecate the transfer of control to representative co-operative bodies. The real concern of the writer is that paid official 'experts'—as if officials alone can be experts—should be supplanted by non-official 'amateurs', and that the 'experts' should be divested of some of the powers which they enjoy under the existing system and should no longer be able to wield influence as protectors of the proletariat! It is in the eyes of "the Pioneer" a crime on Mr. Rothfeld's part to have identified himself with this revolutionary move, but the writer may be assured that this move is wholly in harmony with the trend of development in this Presidency and with the feelings of non-official co-operators, rural and urban, in all parts of the country.

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The Labour Union at Puttur is the first and probably the only one of its kind in India, and it is, therefore, instructive to trace its origin and to examine the various stages of its growth. In South Kanara, where co-operative credit has made a fairly good progress among the rural population, the bulk of the members are tenants-at-will or day-labourers. Save a few who take to petty trade on and off, a large majority have no subsidiary occupation and they make their living wholly by earnings from agriculture or agricultural labour. The condition of those tenants whose leases are short-termed is very deplorable, and the earnings leave little margin after the landlord's dues have been paid. A number of them either become uneconomic units in society, depending on borrowings to maintain

themselves or their families or underfeed and starve themselves. Co-operative credit has provided only temporary relief to these classes, for by incurring borrowings they have in no respect improved their economic position. During the period of unemployment between cultivation and harvest, members often go in search of work and some succeed in getting employed as casual labourers for nominal wages after considerable waste of time and energy. The employment generally obtained is under contractors for local boards and occasionally the men fall under the evil influence of the recruiting agents of planters. To organize the labour of such members, to provide them with regular seasonal employment, and to save them from exploitation at the hands of contractors or recruiting agents, the Puttur Panchama Society, all the members in which were labourers, decided in 1918, as an experimental measure, to undertake labour connected with road maintenance and repair. The Society was, in place of the middle-man contractor, entrusted with the task of maintaining in repairs the roads in Puttur town. The first contract was executed satisfactorily, and not only did the members receive the full market wages, but the transaction left a margin of profit for the Society. Emboldened by the success of this experiment, the local central bank decided to take in additional contracts for roads from the District Board. These contracts it distributed among four primary societies through whose limits the roads passed, the Central Bank holding itself responsible to the District Board for the execution of the works. The societies to which work had been assigned were granted loans to enable them to pay for labour at the current market rates, and they were permitted to engage outside labour if absolutely necessary. Of the profits on the contracts, 25 per cent. was distributed to the secretaries of the societies for supervision, 25 per cent. was appropriated by the societies in return for their investments on contracts, and the balance was distributed as bonus on labour. The features of the system which most appealed to the men were that wages were paid promptly and that they got labour near their homes and worked under their own societies. The development of the work and the difficulty of assigning payments of bonuses necessitated the placing of the scheme on a more systematic footing and it was decided to start an independent body to take over the work. A Labour Union with a limited liability was, therefore, registered in November 1919, covering as its area of operations the whole of the taluka. Its membership was confined to registered societies in the taluka, and eleven societies have joined the Unions and taken up shares worth Rs. 200. Advances were taken from the central bank and the balance of the loans held was Rs. 543 at the close of the year 1919-20. Five contracts were entered into during the period of working, two for maintenance of roads, one for

construction of a footpath, one for repairs to a building, and one for collection of metal for a road. The net profit for the six months of working was Rs. 67. The bye-laws provide that after making provision for a reserve fund, a sinking fund to cover depreciation on tools, grants to a common good fund, and a dividend on shares not exceeding  $6\frac{1}{2}$  per cent., the balance is to be distributed as bonus on labour. No staff is engaged beyond the secretary, but later on the services of qualified overseers will be required. Employment has been found not only for ordinary labourers, but local cartmen too have profited considerably. When the organization develops, local remunerative employment can be secured through the Union for skilled labourers, such as masons, carpenters, and other artisans. The scheme has considerable potentiality as leading to the development of a labour organization for rural areas. As a result, useful remunerative and self-controlled employment will be secured for agriculturists, emigration to towns may diminish, and exploitation by middle-men and capitalists will be partially checked.

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Most co-operators are agreed that primary societies which are affiliated for purposes of finance and supervision to a particular central financing agency should contribute towards the share capital of that institution. This practice is justifiable on two grounds. First, it enables the constituent primary societies gradually to control the policy of the financing agency, to assume liability for its business, and to secure the conversion of the latter into a federation. And, secondly, by contributing to the share capital in proportion to their demand for funds, primary societies assist in building up the resources of the institution on which they are dependent for financial assistance. This, however, is an entirely different proposition from the compulsory investment of the reserve funds of primary societies in the shares of the central bank, to which they may not be affiliated either for finance or supervision, as a measure intended to secure the financial stability of those societies. The question of the separate investment of the reserve fund has been thrashed out again and again in various Provincial Conferences and in the Conferences of Registrars. The Committee on Co-operation had examined the position very critically, applying to it the strictest canons of sound banking. Their opinion was that "primary societies should be allowed to use their reserve funds in their own business provided their ability to repay deposits on due date is secured". In fact, the Committee argued that as the aim of co-operative credit societies is to build up their own capital as rapidly as possible, it is always better to invest the reserve in loans to members than to invest in securities or shares bringing in a lower

return. This position was accepted by the last Registrar's Conference, by several Provincial Conferences, and by the Government of Bombay. Hitherto, no fixed standard of fluid resources has been prescribed in Bombay for co-operative banks where the amount of deposits run into lakhs, and it will admittedly be unfair to insist on the provision being made only in primary societies, particularly when the amount of outside deposits held is meagre. But even if a standard of fluid resource is prescribed, the purchase of shares in a central bank cannot be supported on the ground that it is provision for repayment of outside deposits, because investment in the shares of a co-operative bank is not "liquid." The shares are not negotiable in any share market, nor do they afford any special security for borrowings, such as investment in Government paper would. The amount invested will only represent so much capital withdrawn from the ordinary business of societies in a form which makes such investment practically non-withdrawable. The effect will be to force societies to borrow from one bank at 8 per cent. to pass on the money to the same or to another bank at about 7 per cent., thus reducing the amount available for the members' own use. Nor will the practice enhance the security offered by such societies to those who invest funds with them. The societies are based on the system of unlimited liability, which, in the view of their creditors, is their main security, to be improved only by good management and careful supervision.

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As suggested in one of the resolutions adopted at the last Provincial Conference, the Local Government propose issuing a rule prohibiting the acceptance of non-members as sureties for loans made by co-operative societies. The main grounds on which the proposal is based are that it is unco-operative in principle and undesirable in practice. We may first examine the argument that the present practice is unco-operative. The main principle of co-operative banking is that credit is based on character and is granted on personal security. This principle is not violated by the practice of accepting non-members as sureties, provided such non-members are known to the committee of a society as persons of good character and standing. A member of a society may have a friend willing to stand as security for him, who is not and does not wish to join the society either for personal reasons or owing to a natural fear of unlimited liability. The co-operative organization is purely voluntary, and such personal security need not be refused merely because an individual offered as security cannot come within the fold. If the suretyship of outsiders is accepted, in societies with unlimited liability, at any rate, the security of the investments will be enhanced. All members are jointly and



severally liable for the debts of the society, and hence, though the production of personal security is essential to check the use of loans, the fact of members standing as sureties leaves the society's lendings covered by the total amount of members' assets. If non-members are accepted as sureties, their assets too will become liable for part of the society's debts, in addition to the assets of the members. As the Committee on Co-operation observe, the result will be a widening of the area of liability. The second argument against the existing practice is that non-members are not amenable to the discipline of co-operative societies. This reasoning is vague, but what is suggested generally is that non-members cannot be proceeded against under the arbitration procedure, and that if a recalcitrant member has as a surety a non-member, the former has to be proceeded against for recovery under the ordinary Civil Court Procedure, as a non-member cannot be subjected to the system of arbitration. The charge, therefore, is reduced to objecting to the immunity very naturally enjoyed by non-members from the special powers with which co-operative societies are endowed. After all, it is an administrative convenience that affects only such societies, as by reason of slackness in management, stand in need of the exercise of special powers. The aim of co-operators should be to enforce special powers on as few occasions as possible, whereas, by emphasising this aspect of a society's business, the extended use of special powers is fostered. Finally, it should be pointed out that as most societies will continue accepting members only as sureties finding that practice most suitable, they should be encouraged to do so. Such societies, as prefer it, may have their own bye-laws on the subject, and should be allowed to insert the provision after consideration among themselves of the issues involved and of the local circumstances. There is, however, no need to promulgate a rule of general application, for the issuing of rules not on matters of principle but on matters of internal management like the present is an encroachment on the freedom of action of societies and saps their sense of responsibility. It is, therefore, desirable that the decision arrived at by the Provincial Conference may be more closely examined before final action is taken on it by Government.

## CORRESPONDENCE

### CO-OPERATION ABROAD

To

The Editor of "the Bombay Co-operative Quarterly."

Sir,—The following pieces of information which I have obtained from an Italian co-operative paper may be of interest to your readers

In the College of France, by a decree of the Minister of Public Instruction, a professorial Chair of Co-operation has been opened since December last. The

Chair has been offered to Prof. Charles Gide at the suggestion of the National Federation of Co-operative Societies. At the same time in the University of Berlin, Dr August Muller has been nominated to the professorial chair of Co-operation of that University.

These appointments form a striking contrast to the attitude towards Co-operation still maintained by the Universities in India. I may perhaps be allowed to say that I have this year addressed various Universities in India on the subject of more advanced Co-operative Education and that the replies received have in all cases been extremely disappointing and show that these bodies are still very far from realizing the importance of Co-operation in national life.

Another item of interest is the promulgation on the 28th of October 1920 of a new law on the subject of Co-operation in the newly constituted republic of Poland. The main provisions of the law are the following:—

Every Co-operative Society classed whether as Producers' or Consumers' or agricultural credit (which we here call Resource Societies) is to be registered in the Court of the district. The liability of members is to be fixed by the bye-laws and may be either limited to the value of the shares or be entirely unlimited or may be limited to a fixed number of times the value of shares. Members may possess an unlimited number of shares if the bye-laws allow it, but in no case whatsoever are they entitled to more than one vote. Dividends are not allowed to exceed the bank rate of the National Bank by more than 2 per cent. and 10 per cent. at least of the profits must be brought to the reserve. All Co-operative Societies are subject to biennial scrutiny by the Union for Revision or by a Commission nominated by the Co-operative Board of Government. This Board, composed of two-thirds representatives of the Co-operative Union and one-third representatives of the Government (Co-operative Board, examines all proposals for legislation concerning co-operation and all rules and regulations issued under the law, and also collates all statistics of the Co-operative Movement and guides its development. For propaganda purposes, School Co-operative Societies are also being organized in Poland and a special committee is appointed to guide these school societies on which the Minister is also represented. There are four federations in Poland, one of which, the Union of Co-operative Societies of Consumption, was founded in 1911 and follows no definite political party. Another, the Union of Workmen's Co-operative Societies of Consumption was founded in 1919 and is socialist in politics. The Central Union of Railway Men's Co-operative Societies was founded in 1919. There is also the Union of Agricultural Syndicates. These four federations have lately created a joint board or commission for action in common.

The first attempts to found Co-operative Societies in Poland were made in 1870 on the Rochdale principle, but it is only in the first ten years of the 20th century that the Consumers' Movement began to become stable and independent. Russian Poland led the way. Next to it came Austrian Poland and a long way behind German Poland. In 1914 the three then existing organizations comprised 327 societies with 55,000 members and with sales of Rs. 5,00,000. In the main the movement is still a Consumers' Movement.

Yours etc.  
OTTO ROTHEFELD

## GOVERNMENT DIPLOMA IN CO-OPERATIVE ACCOUNTANCY

To

The Editor of "the Bombay Co-operative Quarterly".

Sir,—The Registrar of Co-operative Societies deserves to be congratulated on instituting for the first time the test of an Examination for the employees of Co-operative Department following the example of other State-Departments. The examination is made compulsory for of all auditors joining the department as late as 1920 and is one further step calculated to secure the efficiency of the staff in the technique of co-operative work and the principles of scientific accountancy, though the phrase 'Co-operative Accountancy' is somewhat inappropriate. There is no gain-saying the fact that in view of the growth of the movement in the industrial sphere and the increase in the volume of transactions of the various institutions, amateurish methods of audit must be given up in place of those based on a comprehensive knowledge of scientific accountancy as understood in the Commercial World if co-operative audit is to enjoy that amount of confidence among the public that is so very vital to the stability of the Co-operative Movement. It is doubtful, all the same, how far the present Syllabus prescribed by the Board controlling the Government Diploma in Accountancy with its peculiar notions of efficiency will be able to answer the laudable object held in view. The examination should have been made compulsory for urban and Special Auditors, and the Assistant Registrars who are supposed to control the work of auditors, rather than for Auditors of Rural Societies whose duty it is, naturally enough, to check a few and simple accounts written up too often by men who have received the highest education that the vernacular village schools can give. It is hard to see how an exhaustive study of Dr. Sprague's Insurance Accounts and Mr. Machlacián's Business Organization of a Life-Office and an intimate acquaintance with various actuarial Tables will help the poor Rural Auditor in his duties which often consist in checking a Loan-Register and a Cashbook. The high standard of efficiency sought to be attained by the Diploma Course in Accountancy (to judge from the past results of the G. D. A. Examination) might be necessary, nay even essential in case of Company Auditors, but to maintain its utility for a Co-operative Auditor too with some additional papers in co-operation would be to ignore in not a small degree the essential nature of duties that fall upon him. To advocate the true standard of efficiency and the right method of securing it we would wish the formation of a separate Board with a different constitution, a modification of the present Syllabus, and a simpler test prescribed as regards the accountancy portion and the introduction of more papers than two on Co-operative Law and Practice.

Yours etc.

"AN ACCOUNTANT"

Personal: It is to be regretted that Mr. K. B. Ankalgí of Dharwar and Mr. W. G. Chirmule have severed their connection with the Co-operative Movement, having resigned their appointments as Honorary Organizers and the offices they held in the Dharwar and Satara Urban Banks, respectively. Both of them were ardent co-operators and were of great help in furthering the cause of co-operation.

# THE BOMBAY CO-OPERATIVE QUARTERLY

SEPTEMBER 1921 •

## SOME ASPECTS OF AGRICULTURAL FINANCE

### *Owned Capital*

Based as co-operative credit is on self-help and thrift, it is axiomatic that agricultural co-operative credit societies should not be mere money-lending institutions but should develop as one of their essential functions habits of thrift among their members, attract to themselves the latter's savings and temporary surpluses, and build up by joint action capital which will in course of time replace outside borrowings. All co-operators, therefore, attach great importance to the increase of "owned capital", under which category are comprised shares, members' deposits and reserve funds.

Shares form an integral part of the system of co-operative credit in some Provinces in India; and some have shares payable in instalments and withdrawable after a fixed period, others have non-returnable shares, and a few have small shares payable in full on admission to membership. In some Provinces no dividends are payable, in others they are payable after a period of ten years, and, in a few, dividends are paid in the form of fresh non-withdrawable shares. The advantage of the share system is that it enables owned capital being built up regularly and quickly and ensures a good society becoming independent of outside financial assistance in a few years' time. A number of societies have already reached this position in the Punjab. The disadvantages of the system are that an unduly heavy burden on a poor peasantry tends to keep out desirable members, that the principle of division of profits which it introduces creates feelings of hostility between borrowers and lenders, and that dividend-hunting which it fosters wrecks societies. Shares are, however, preferable to the system of compulsory deposits payable in proportion of borrowings, and provided the rate of dividends is restricted they provide a good means of raising owned capital in provinces where the margin between borrowing and lending rates is

low and where the reserve fund, therefore, cannot accumulate rapidly. But the system is inapplicable among a class of cultivators like those found in most of the dry tracts of the Deccan and the Karnatak, who though always in need of financial assistance find it hard to get together the small sum of Rs. 5 or Rs. 10 required for the payment of the annual instalments on his shares.

The next method of increasing owned capital is by raising members' deposits. These deposits may be classified as savings deposits, short term deposits received at harvest, surplus profits invested permanently, preliminary deposits, and compulsory deductions from loans treated as fixed deposits. Systematic propaganda will be necessary to get savings deposits and short term deposits freely introduced in societies. But such savings and the surpluses of agriculturists from their business will be attracted to co-operative societies only if there is perfect certainty among the depositing members about obtaining repayment on call or on maturity. Further, they will desire to be assured that all their needs for current expenses will be met and their own savings which have been invested in the societies will, if necessary, be reloaned to them in case of emergency. This assurance a good many of our societies are not in a position to give, and hence the system of savings deposits has not succeeded, no additions are made to members' deposits, and the only deposits that are held are those received prior to registration, compulsory deductions from loan payments, and a stray deposit or so from some rich members. The system of compulsory deductions from loans is deprecated by the Committee on Co-operation and many other authorities, and in no way helps to promote thrift. On the other hand, "the member who is compelled to resort most frequently for loans is the one least able to lock away his money", and it is not difficult to conjecture that some individuals are kept away from becoming members for this reason.

This is in effect the raising of the rate of the interest, and hence most co-operative authorities in India are agreed that the best way of increasing the owned capital is to accumulate large reserve funds. Fortunately, rates of interest on loans to agriculturists are so high in India that by slightly increasing the margin between the borrowing and lending rates, co-operative societies will increase the reserve fund without imposing on members any undue burden. And that this reserve fund should continue growing it is also necessary, after proper provision for fluid resource is made in societies depending on *outside deposits*, to permit its investment in the societies themselves.

To fix any arbitrary proportion between the owned and total capital in societies with an unlimited liability is wholly unjustifiable.

The justification of fixing a proportion in all concerns with a liability limited in relation to shares is that the shares and the reserves and the owned capital form the guarantee fund, and provide the basis on which the institutions raise further capital. Hence the need to ensure that the liabilities are not unduly large in proportion to the guarantee fund. The basis of the guarantee in an institution with unlimited liability is essentially different. It consists of the joint and several liability of the entire body of members. In their corporate capacity they can borrow upto an extent commensurate with the total value of their assets which can be pledged as security. This has hitherto been in all Indian provinces the standard for assessment of credit, modified only by the credit-worthiness of a society. Such credit-worthiness is determined by several factors of equal importance, chief among which are the needs of members, their productive capacity, their assimilation of co-operative principles as gauged by the management of the society, and their faith in their own institution as judged by the amount of their savings deposited in it. It is neither necessary nor desirable to attach undue importance to only one among the several factors which go to determine the credit of a society.

The increase of owned capital cannot be stimulated by fixing limits to borrowings based on the amounts of such capital, particularly as the bulk of societies in this Presidency, which are about five years old, have had to pass through two severe famines. The better procedure seems to be to permit the introduction of instalment shares wherever feasible, to get societies to raise their lending rates where shares cannot be introduced, and to stimulate the growth of voluntary deposits by an educational propaganda. Savings and short term deposits should be encouraged on businesslike lines, under proper guidance, and, finally, our financial methods must be made more elastic than they now are. Credits should be sanctioned freely to all good societies, the credits to which individual members are eligible determined annually, and the uncertainty and doubts under which members of primary societies labour at present in regard to financial help reduced, if not eliminated.

### *Terms Of Deposits*

The main points to be noted in connection with the acceptance of deposits by any banking institution are: the period for which deposits should be accepted, the rate of interest which should be allowed, and the provision of arrangements for repayment of deposits on maturity. The period of deposits in any banking institution is regulated by the class of business which it conducts. And just as it is obvious that banking insti-

tutions cannot advance loans for periods longer than those for which they accept deposits, conversely, the class of deposits to be encouraged in a particular type of institution depends on the nature of the business they undertake. Commercial banking deals mainly with short term business. It has its "paper", its securities, its hundies and bills, and its demand loans which are realisable on demand or at short notice. Joint stock banks operate, again, in important financial centres where it is easy to obtain money by pledging with other banks or bankers the negotiable instruments held or by selling securities. They, therefore, specialize in short term deposits and current accounts, and eschew long term deposits for which they have no use. Agricultural primary societies have no such outlet for the investment of their short term capital. Their loans are hardly ever for less than four months and are generally for eight to twelve months. The advances, again, are not realisable at short notice, and even when there is a demand, the advances cannot be called up at short notice to meet it. Further, the societies are located so far inland that remittances by ordinary methods under the present system take over a week to reach societies from the financing institution. They can, therefore, command no quick supply of funds by pledging their negotiable instruments, if they have any, or by disposing of their securities. Unless there is a branch or a local bank within a day's distance, it is inconvenient to make drawings on any cash credit allowed to primary societies. Much expense will have to be incurred on every transaction, and delays will frequently occur. Similarly, when surpluses accumulate owing to receipt of deposits at call, there will be loss of interest unless the amounts can be passed on, immediately and without incurring any special expenditure, to the financing institution. Deposit of surpluses in the post office is both inconvenient and uneconomical.

There is a rule under the Act prohibiting the acceptance by co-operative societies of current deposits. It is a recent one, and was adopted on the recommendation of the Committee on Co-operation. The Conference of Registrars which was held at Simla in 1918 to review the recommendations of the Committee definitely approved of the prohibition and so did all the Local Governments in their opinions on the Committee's Report. The matter has not since then been discussed in any Co-operative Conference in this Presidency, and hitherto there is no keen demand for the withdrawal of the Rule.

Current accounts are generally intended for traders and businessmen, and it is doubtful if they are an efficient instrument for thrift and have been encouraged as such in the system of rural co-operative banking in any country. Current accounts with all the facilities they convey and all

the risks and responsibilities they involve, should be opened by central institutions which can work them efficiently, economically, and profitably. The volume of transactions should be large enough to permit the entertainment of a paid full-time staff. And by concentration in a central institution, say a branch of a district or the provincial bank or a smaller central bank, the loss on provision of fluid resource can be reduced, the remittance and withdrawal of funds facilitated, investment in securities conveniently arranged, and scrutiny of signatures and endorsements properly ensured. For the introduction of modern banking facilities, the unit need not, therefore, necessarily be a village, and though as an ideal we may aim at introducing all sections of the rural community to modern banking methods, this end can be secured through encouraging members of rural societies to have banking accounts with central institutions wherever these are easily accessible in preference to the introduction of the facility in scattered villages. Further, there is no special advantage in a village, with a population of a few thousands, conducting internal transactions by means of cheques. Lastly, it should not be forgotten that to work current accounts needs training in banking practice of a type higher than is likely to be possessed by secretaries of rural societies. It is a specialised form of training which cannot be obtained easily, and as slipshod methods of working may damage the credit of the movement, it would, on this ground too, be desirable to be satisfied with the provision of current accounts through central institutions only. That the matter is not a very simple one, is evident from the hesitation with which directors of central and urban banks consider proposals for opening current accounts.

The present Co-operative Rules, however, rightly permit the acceptance of savings deposits. The difference between these and current accounts is the insistence in the former of notice of withdrawal and the restriction of the amount which can be withdrawn at a time or during a week, a month, or a year. Interest is often not allowed on daily balances and is calculated on the minimum monthly balance. The model bye-laws for rural societies contain a set of simple rules for savings deposits and as these are quite suitable, a vigorous propaganda may be carried on to secure the system being adopted freely. A few modifications in the Rules may, however, be suggested. For instance, no societies which are not classed A or B and no isolated societies which are at a distance from a business centre should be granted the necessary permission. Again, societies which have no banking institution within about half a day's reach should not be allowed to open savings deposits accounts unless they can freely operate on their credits by hundies to be sold in the local market. Active propaganda should be confined to societies affiliated to branch



banks or smaller banks from which they can obtain funds without delay and to which they can remit surpluses without incurring loss of interest. The provision in respect of fluid resource may be in one of the following forms: an account in the Post Office, a current account or cash credit account with the financing institution, a fixed deposit in the financing institution with arrangements for granting over-drafts on its security, investment in trust securities to be lodged with the financing institution with arrangements for overdraft. Credits or deposits with money-lenders should not be encouraged. About 60 per cent. to 75 per cent. of the amount held in savings account should be covered by any of the foregoing arrangements.

Following the recommendations of the Committee on Co-operation, most co-operators approve of the acceptance by agricultural societies of short term deposits repayable at harvest. Accordingly, permission to take in such deposits has been granted to primary rural societies, but very few societies have availed themselves of it. This class of deposit can be freely encouraged, except in years of famine and scarcity when it will be impossible to repay the deposits on maturity out of collections made at harvest time. But besides the type of short term deposits referred to by the Committee on Co-operation, there is another class of deposits which co-operators are anxious to tap for the movement. In good years, at harvest time after clearing their debts, many good agriculturists have surplus funds which are not likely to be required till late in the season. Sowcars receive these in deposit, and allow drawings against them and even overdrawals within limits. Societies do not receive such deposits, because, in the first place, their rules of business being inelastic they have no sources of short term investment, and they have no margin of profit on other business which will enable them to cover the loss, if any, on such transactions. Business-like societies can, however, ascertain the rates for investment of short term funds through the Provincial Bank, and accept short term deposits fixed for periods of 2 to 6 months and pass on such deposits to the Provincial or district bank. The rate of interest offered locally should be a little lower than that paid by the central bank so as to cover the postage and other charges and loss of interest during the period of transit; this latter item will be eliminated if branches or smaller banks are started all over the Presidency. Loans should be granted freely on the security of such deposits. The essential condition is that such deposits should be separately invested for proportionate periods.

The bulk of the deposits received in societies will, however, be for periods of twelve months and over. The period of such deposit should be so arranged as to make them repayable at seasons when recoveries from members have come in. In a departmental circular, certain union

societies are asked not to accept deposits for more than five years. This period may be extended to ten years. The general opinion seems to be that in this Presidency, with the ruling rates of interest, liquidation of old debts or permanent land improvements cannot be undertaken, unless the loans are made repayable in ten years. As central financing institutions do not at present advance large sums for long terms, it would be a hardship for societies to be prevented from taking long term deposits to enable them to make loans for the purposes specified above. Finally, to obviate the need for maintaining large fluid resources, societies might be directed to receive their outside deposits in such a manner that not more than a fifth or a tenth of the working capital becomes due in any particular year. This would reduce the risk incidental to large amounts becoming due for repayment in bad seasons.

The next point is the fixation of rates of interest. These rates must depend primarily on the lending rates of the societies and then on the local rates for similar deposits. It is recommended by many co-operators that the difference between the two rates should not be less than 3 per cent. This is the minimum margin necessary for providing fluid resource, for recouping losses of interest due to idle balances, and for meeting other administrative charges. The rate on deposits is regulated by the lending rate and should be so fixed that it will not in any degree involve a society in loss. If a very high rate is fixed, and balances remain idle for some length of period, both after receipt of deposits and before their maturity, the loss in interest will be so high as to raise it above the rate of lending charged by central financing agencies. And, moreover, if an unduly high rate is fixed, though large deposits may be attracted there will not be sufficient margin to enable a society to make any arrangement for fluid resource. Provision of such arrangements must involve some expense, and if the difference between the borrowing and lending rates is very small, a society cannot afford to keep fluid resource with the result that it will involve itself in difficulties. The amount of fluid resource required as cover for savings deposits has to be considerable, and hence the rates of interest allowed have to be fixed low. For short term deposits separately invested no cover is required, and there need only be a small difference between the rate allowed to depositors and that obtained on investments. On fixed deposits for a year, the amount required as cover is smaller than on saving deposits but larger than on long term deposits. Hence the present practice of allowing higher rates, within limits, according to the length of the periods is unobjectionable.

The determination of the standard of fluid resource is not an easy task. A few considerations of general application may be set forth.

While much of the safety of a society will depend on the care with which it transacts its business, the strength of its depositors, its ability to gauge the tone of the market in which it operates, and the correctness and the accuracy of its periodical forecasts, some standard of fluid resource will have to be recommended. For instance, about 75 per cent. of the average balances held in current accounts in the preceding quarter, and 60 per cent. or so of the balances in savings accounts should be sufficient. Again, it will be advisable to provide fluid resource equivalent to nearly one-fourth of the amount of fixed deposits due during the succeeding season, irrespective of whether these are short term or long term deposits. Every society should prepare every year an estimate of fluid resource to be maintained, some time before the commencement of the season when the annual statements are prepared. These should be considered at special meetings of the committees, and copies supplied to the union and central bank. Allowance may be made in seasons, which are expected to be normal, for the estimated repayments from members and about half of these should be deducted from the amount for which provision is to be made. The figure thus computed should be taken as the fluid resource for which the institution must make previous arrangements with its central bank. This provision can be in the form either of cash credit or liquid securities. If credits are available, it is inadvisable to maintain excessively large idle cash balances, which can only mean loss of interest and result in reduction of profits. Further, there is the risk involved in keeping with isolated societies whose operations are not subject to continuous supervision large cash balances on hand. Securities, if held at mofussil centres, are sometimes found to be unrealisable. But if any securities are held or deposits made in the central financing institutions cash credits should be arranged on their security. Credits may also be obtained on the general assets of the society, but as interest may have to be paid on undrawn balances in such accounts, some arrangements should be made, as in Burma, for payment of commission to the financing agency for certain sums arranged to be advanced on demand or at short notice for repayment of deposits. It has been suggested that local money-lenders may also be accepted as bankers and cash credits arranged with them. Apart from the fact that this will violate one of our fundamental principles that a society should be loyal to one financing agency only, it will be difficult to gauge the credit of the Sowcar from time to time and to assure ourselves that he will maintain adequate resource for meeting the demands of the society. The procedure is also attended with a certain degree of risk in placing a society at the mercy of an institution which it is its aim to supplant. The Sowcar is not likely to forget this though the society may do so.

*Maximum Normal Credits For Members*

Under of the Bombay Co-operative Societies Rules, 1918, every society with unlimited liability must fix in a general meeting the maximum liability which it may incur in loans or deposits from non-members. Such limits are subject to the sanction of the Registrar. The model bye-laws of an agricultural credit society also prescribe that the committee of a society cannot at their discretion exceed the limit fixed at the general meeting. These limits indicate the extent to which members are prepared to pledge their joint liability, and hence restrict the unlimited liability which the members of a society undertake. Not much importance is, however, attached in practice to the fixing of these limits, and they are not revised annually as is necessary under the bye-law. Moreover, they are often arbitrarily assessed, sometimes in proportion to membership and assets, occasionally in proportion to the owned capital, and only rarely in relation to the needs of members. The first three are certainly factors which go towards the determination of the credit-worthiness of a society, but the main basis of assessment is the needs of the members. To base the credit-worthiness merely on the *estimate* of the needs of members, however, is a very unsafe proceeding, and hence in pursuance of a recommendation of the Committee on Co-operation it is suggested that normal credits for individual members must be fixed in every society which desires to secure the advantages of prompt and adequate finance. The revised model bye-laws do contain a provision for the fixation of the normal credits of individuals, but from a recent Departmental Circular it is observed that hardly any societies in the Presidency, outside those on the Nira and Godavari Canals, actually fix in general meeting the normal credits of individual members. The lines on which the credits of individuals will be determined may be briefly indicated. The main criteria would be the average ordinary requirements of the member for pursuit of his trade, the value of his land, his earning capacity and annual income, his character and record as a member. The approximate time when loans will be required and what repayments may be expected will also be mentioned. The statement containing information should be prepared by the secretary and laid before the managing committee which should consider the recommendation it would make for each individual. The statement should then be submitted to the general meeting, which alone can fix the credits in the presence of all the members. Under the credits fixed, the committee will have to exercise its discretion and will be at liberty to suspend further advances if loans have been misapplied, if the crops have failed, if the member has proved disloyal, or turned defaulter, and for such other reasons. But in all ordinary cases, the needs of members should be met

punctually according to the statement of normal credits and financial facilities to meet such needs arranged for, in advance.

The main advantages to the members will be that they will obtain prompt and adequate finance. They will, again, obtain information about the credits of other members, and thereby check the vagaries of office-bearers and the monopolization of finance by a few individuals. Individuals will be able to effect savings in interest charges, by drawing loans in instalments. The societies will gain because they can fix their maximum liabilities on a reasoned basis, and thus regulate the unlimited liability governing their operations. They can prepare fairly accurate forecasts of requirements and repayments, and check efficiently the borrowings of members. If they do this effectively, they will have a claim on their banks for prompt and adequate finance. Loss of interest will be saved, for, instead of drawing loans in large lump sums and keeping idle cash balances, they will get advances according to actual needs arising from time to time. Further, societies need not be tied down to limits of loans for individual members, and should be in a position to advance loans according to requirements, thus hastening the advent of the day when a society will be the sole creditor of its members. At present, the bye-laws fix a limit beyond which an individual member cannot borrow from his society. The effect of this, particularly in tracts where irrigated or other rich crops are grown, is that a member is often unable to finance his entire agricultural operations without being disloyal to the society. He has to borrow from a sowcar and get back into the morass from which his society is intended to relieve him. Or he takes loans in the names of his friends and relations and thus frustrates the object for which the limit is imposed. In the societies on the Canals the amount of loan to which a member is eligible is regulated by the acreage of lands held by him. This is a better standard than the rigid limit imposed by the bye-laws. In Germany, the procedure is that when once credits are fixed for members no maximum limits are imposed for loans to individuals. This procedure should be accepted for all societies which fix credits for individuals, provided the credits are made subject to scrutiny by the financing agency. If there is to be some restriction it may be prescribed in the bye-laws that no individual shall be entitled to a credit in excess of about one-fifth or one-tenth of the working capital of the society.

The system also possesses advantages for the central bank which finances the societies. Accurate forecasts and estimates are received, enabling the bank to arrange its finances methodically. Prompt and adequate finance can be supplied, and the risk of over-financing or under-financing

is reduced. Further, a good basis is afforded on which to assess the credit of a primary society. Once the credit is fixed, the necessity for *detailed* enquiry into applications received from time to time vanishes, so that there is a saving of expenditure on inspection. On the basis of the statement of credits of individual members, the scrutiny of applications and the control over recoveries are facilitated. Finally, the grant of the credits based on a society's statement of individuals' limits leads to an economical and well-regulated use of the resources available for finance of the movement.

It has been suggested that the preparation of statements of individuals' credits, and the framing of forecasts based on these is a very cumbrous task and that a special staff will have to be engaged for the purpose. The procedure for fixing credits which has been outlined above is, however, so simple that with a little guidance from inspectors of financing agencies, the secretaries of all moderately well-managed societies should find no difficulty in carrying out this important aspect of their duties. Some guidance will indeed be necessary, but this should come from the financing agencies which, because they provide the funds, must scrutinise the statements of normal credits. Where unions exist the scrutiny will be exercised by their office-bearers. As the proper performance of the work benefits no agency more than the central bank responsible for finance and supervision and as its responsibility in this respect should be undivided, it is not desirable to ask the Co-operative Department to undertake the work and to engage a special staff for the purpose.

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## URBAN CREDIT IN FRANCE

In this Presidency we pride ourselves with some reason on the development of urban credit. The movement began spontaneously without official pressure, and it is now quite evident that it has in front of it a large and successful development. That there is still a great deal to be done and especially that urban credit has still to be extended in a great many places where it has hardly so far begun, every co-operator in this Presidency will, of course, admit. But it may at least be claimed that a promising beginning has been made and that in certain parts of the Presidency, and especially in the Southern Division, progress has been remarkable and is producing valuable results. The working capital in the movement has already attained the figure of about 90 lakhs without any assistance of any kind from Government and with practically no loans from any other outside body. With the movement so well developed in this Presidency, it cannot but interest co-operators to consider the position of urban credit in the great country of France.

In France, co-operation had made no attempt to touch urban credit until 1917. On the 13th March 1917, however, a law was passed in the French Parliament whose object was the organization of credit for small and middle-class trade and industry. It is since the passing of that law that the Co-operative movement for non-agricultural credit first took a shape and began to organize. The objects with which the law was passed and the movement initiated were, of course, the objects which in all countries are before the urban credit co-operative movement. The main object was to furnish to small traders, artisans and to small manufacturers the credit necessary for them in the ordinary exercise of their trade, their craftsmanship, or their industry. It was felt, in particular, that funds were commonly required for the purchase or installation of a shop, for working capital, and for the discounting of bills of exchange given by purchasers of goods supplied. These indeed are the purposes for which urban co-operative banks have in all countries to supply funds. In France, however, it does not seem to have been contemplated, to nearly the extent to which our banks in India often devote their funds, to supply credit for the repayment of old debts or for the long term loans for the purposes of building houses or the education or marriage of children. It must, I think, be admitted that here in this Presidency our banks are forced (perhaps in the circumstances of the country by unavoidable conditions) into a less safe position by tying up an undue percentage of their capital in unproductive long-term loans of this kind. In France, conditions seem to have made it possible to avoid this danger.

The scheme introduced by the law of March 1917 was the creation of two classes of society: one, what we know here in India as an urban bank or an urban credit society; the other, a form so far unknown in this country called 'a society for mutual caution,' or as we should probably call it here, a society for mutual guarantee. The latter has certain resemblances with those banking unions which exist in some parts of India in regard to agricultural credit, and still more to those rather nebulous bodies which under the name of "federations" have by some co-operators been suggested for insertion into the fabric of agricultural co-operation in this Presidency. The essential point in these societies for mutual caution is that they themselves are not to lend money or to undertake any real banking operations. Their object is to endorse and guarantee the trade bills or promissory notes drawn or endorsed by their members. By this mutual guarantee it was felt they would strengthen the credit of every single member of the society. In the way of capital all that they require is a sum sufficiently large to represent a real financial guarantee for the responsibilities that they assume in endorsing their members' bills. At the same time, the urban banks are in no way prohibited from accepting bills without the intervention of such a society.

The following points in the constitution of a "society of mutual caution" require attention. The society may either be limited or unlimited; but the Ministry has advised the adoption of the unlimited form as being most calculated to strengthen the credit of all members. The capital is raised by the issue of shares of 50 francs each, of which at least one-quarter must be fully paid up. The capital when raised must be invested in securities or fixed deposits in a bank and the details of investments must be registered in the courts and published. The society is allowed to charge commission on all the guarantees given by it, and it is these commissions which form the income of the society. The profits have to be distributed in the following manner: 10 per cent. must first be paid into the reserve fund; secondly, dividends at 4 per cent. may be paid on the paid shares; of the balance then remaining three-quarters will go to reserve fund and the quarter which remains would be distributed among members as a bonus on the amount of business done by them. When, however, the reserve fund is equal to half of the subscribed capital, no further payments to reserve fund are necessary. One important point in the bye-laws is that the general meeting must fix each year the maximum total of all liabilities to be assumed by the society, while the managing committee has also to fix the maximum credit allowable to each member of the society. These are provisions which are actually in force and not merely left on paper.

The general scheme of the urban banks is not very dissimilar from that to which we are accustomed in this country. The following points, however, are important, and do differ materially from what is at least the practice here. First of all, all loans were limited to one year, and the maximum period for the discounting of bills was and is fixed at six months. Secondly, as a rule shares can be paid by instalments not exceeding seven in all. Thirdly, the dividends to be paid on shares are never to exceed 5 per cent. (now 6 per cent.) and bonuses to all customers are provided for after payment of this dividend and the ordinary payment to reserve fund. Maximum credits have to be fixed for each member. This being the general scheme, an essential point of difference now arises between what we know in India and what has been introduced in France. In India, our urban banks and societies have to raise their capital entirely by their own efforts, by deposits received from sympathisers or from members, and occasionally by loans from other co-operative banks. Government remains aloof. It gives no grants and no advances. In France, on the other hand, every society established under this law has a right to claim loans from the Ministry, derived ultimately from the funds of the Bank of France. Under its agreement, the Bank of France placed 12 millions of francs per year at the disposal of Government to



be distributed as temporary loans without interest to all urban banks organized under this law. The intention no doubt is, as is declared in the circular from the Ministry, that these advances are intended only to supply initial assistance and to help these banks in their early stages. They are given for a period of five years only. But it is admitted that these loans may be renewed, and, judging from what has happened in agricultural co-operation in France, it seems almost certain that their renewal will be demanded and conceded. At the same time, the Ministry urges upon the banks that in spite of receiving these free loans they should not themselves give credit to their members at less than the market rate. It is, however, doubtful again whether this condition will be rigorously complied with, and whether it is not an almost inevitable result that members of these banks will use all their weight to ensure that they should pay the smallest sum possible for the money that they have so easily obtained.

This being the constitution of urban credit in France, as introduced by the law of 1917, it will now be of interest to observe the results of the movement. The report for the year ending 31st December 1920, submitted by the Minister of Commerce and Industry, in whose office the work of the Registrar of Co-operative Societies for all except agricultural societies is performed, is now before me. It appears from it that, as might have been expected, the societies of mutual caution have proved an absolute failure. So far only six societies of this kind have been registered and it seems clear that their organization has been practically useless. The Minister indeed expressed a vague hope that the urban credit banks as they develop may themselves organize under their auspices further societies of this kind in order to allow the poorer traders and artisans more easy access to their custom. To me, I must confess it appears as if even this aspiration would lead to nothing. The real fact is that societies of this kind, like the vague suggested "federations" in this country to which I have already referred, are probably doomed from the beginning by two factors, one, that they have not real financial management in their own hands, and, secondly, that they must inevitably remain under tutelage and be of far too small importance to attract to their service any men of energy or talent.

While, however, societies of mutual caution have failed dismally, the urban banks, on the other hand, have made a considerable and valuable advance. They are effectively managed by persons of the very class for whose assistance they were devised. The Minister notes that in France (as in India) these banks have already been a factor of considerable importance in decentralizing finance. They tap local deposits

and use them to support local industry. It is also noted that they have furnished excellent schools in the proper management of business for their members. But it is also noted that in addition to the 12 millions of francs obtained from the Bank of France as advances to these societies, another law dated the 24th of October 1919 opened a further credit of 50 millions of francs to be distributed among these urban banks for exclusive use as long term loans for the re-establishment of businesses and trades, the owners of which had served in the army during the war, and had, in consequence, seen much of their business destroyed or vanishing. Similar long term loans are also given to widows of men of this class killed during the war. This law of 1919 has, therefore, made a considerable advance beyond the original conception of the law of 1917. Instead of having short term loans only, assisted by a grant of 12 million francs, we now have long and short term loans side by side assisted by separate credits from the State. In addition to assistance the Government has also furnished other help by the publication of many circulars and propagandist papers and by orders to all Prefects (Collectors of Districts) to help in the organization of new societies of this kind. In addition, Chambers of Commerce, Savings Banks, and various commercial syndicates have been pressed by Government to give their assistance also in the organization of urban credit.

At the present moment there are in all, working in France, 77 urban banks. They have been organized in a systematic manner, and the areas over which they operate have been clearly demarcated and as a rule correspond to the administrative districts. All towns of any importance and all administrative districts in which Commerce and Industry are actively represented are now provided with a bank of this description. A national apex bank for urban credit is under consideration. Of the banks actually in working order, one-third have not yet been able to receive any benefits from the loans granted by Government as the sum has proved insufficient. Loans actually given amount to 11,700,000 francs granted to 42 banks out of the sum of 12 millions sanctioned for short term loans, while out of the sum of 50 millions for long term loans, 20 millions have already been distributed to 43 banks. Another 10 millions have been sanctioned but have not yet been paid out. I regret that the report received by me does not give information about the full working capital of these banks, and I am, therefore, unable to compare the results of their working in tapping local deposits with that of the working of our own urban banks in this Presidency. What is, however, quite clear is the rapid and successful extension of these societies in a period of two years. In two years, France has been able to provide practically every district of the country with one bank of this

kind. The part of their working capital received from Government alone represents about a crore of rupees. As, by law, the loans given by the State cannot exceed twice the share capital actually paid up, it is clear that at the very least the working capital of these banks must already amount to  $1\frac{1}{2}$  crores. It is probable, of course, that it greatly exceeds the sum, but it cannot be less. When we consider how many districts in this Presidency are still left without anything that can fairly be called an urban bank and some without even the smallest urban credit society, it must be confessed that in the rapid organization of such societies at any rate we still remain painfully behind the progress made in France. The low rates of dividend allowed also point to a greater selflessness on the part of sympathisers, share-holders and depositors. On the other hand, what we have here in India to the good is that whatever has been done has been achieved by popular effort alone without financial assistance from Government. I cannot help feeling that there is a greater guarantee for strength in the future in a system which dispenses with Government loans and does not charge the taxpayer with the maintenance of urban credit. Urban credit should be able to stand on its own legs. Its march will certainly be stronger if it draws upon its own forces. But whatever we may think of this provision, all co-operators in this Presidency will at least join in congratulating the co-operators of France upon the happy progress they have made in this important branch of the movement. The popular control of popular finance, the local support of local industry, and the self-disciplined democratic control of the people's banking are measures of the utmost importance to co-operators throughout the world.

OTTO ROTHFELD

### REDEMPTION OF OLD DEBTS

It is generally agreed that it is not desirable for the State to undertake any scheme for the *direct* financing of Co-operative Credit Societies for the redemption of the debts of their members. In no other countries has this responsibility been undertaken by the State, and such patronage and the provision of facile credit are not likely to provide any permanent solution of the problem of indebtedness, while they will place an unduly heavy burden on the finances of the State. At the same time, there are certain considerations which make the burden of rural indebtedness one of the main economic problems in India. An official calculation puts the total rural indebtedness for the whole country roughly at Rs. 300 crores and that of mortgage debt at Rs. 130 crores, giving an incidence on the total population of Rs. 12 and Rs. 5, respectively.

One third of the land-holding classes are helplessly involved in debt and another third are in debt, though not beyond the power of redemption. Two factors enhance the seriousness of the evil in India. The indebtedness continues to accumulate and the bulk of it is for unproductive purposes. The incidence of the interest charges is so onerous that the margin between income and expenditure is barely sufficient to meet it and the principal often continues accumulating from year to year. The possibility of making savings for the average cultivators is meagre—what with years of scanty rainfall recurring at brief intervals there is scarcely any chance of an agriculturist extricating himself from a position of hopeless dependence on the Sowcar. As the Sowcar also carries on agricultural trade, that is, negotiates the sale of agricultural produce and arranges the supply of domestic and trade requirements no improvements in agricultural conditions are possible unless he is supplanted, and sales and purchases are organised co-operatively. The cultivator should also be enabled to feel that the result of his efforts at the improvement of lands or the introduction of new methods of machinery will be directly beneficial to himself and not merely enrich his creditor. And that agricultural improvement and the co-operative organisation of sale should have scope for success, it is essential that the sowcar's domination should be destroyed and that an equally business-like but more honest and less grabbing banking and trading agency should wholly supplant him. Unless, therefore, redemption of debts is taken in hand, a vicious circle will always confront co-operators and thwart all their attempts at betterment. Further, the very presence in Societies of members financed by Sowcar is a source of weakness, nay even of danger. It often happens that members borrow from societies, for productive purposes, and misapply the loans by repaying their previous debts, with the result that they generally default when repayment on the productive loans falls due. There is also the risk that under the pressure of the sowcars whose methods of recovery are not so correct as those of societies, members use their earnings out of loans advanced by the societies towards satisfying such creditors. These two are often the first steps in the downward glide towards default and subsequent recalcitrancy.

There is also another consideration which may be referred to as seeking to strengthen the contention of those who urge some State action in the matter. In Ryotwari provinces of India, at least, the State is in official theory looked upon as the supreme landlord, and on this ground it is invested with certain rights and privileges over the affairs of agriculturists. If this theory is accepted, the State cannot reject summarily any claim on its assistance in the solution of this most deep-

seated economic problem in the land. It is argued by many Indian economists and publicists that for this reason the State should interest itself actively which the State under a different land system need not in the initiation of measures for the redemption of rural indebtedness. It was the acceptance of this factor, among others, that led to the introduction of co-operative credit, but with the growth of the movement, the aim of relieving indebtedness has receded in the background and Government are inclined to await the eradication of the evil by process of time and with the development of the co-operative credit system.

Another point on which there is likely to be general agreement is the need for framing complete liquidation schemes and preparing surveys of indebtedness among all the members of a particular Society. The observations on the subject contained in the Report of the Committee on Co-operation have served to clarify the ideas of co-operators on the matter to a certain extent. But the Committee failed to attach to the problem the importance it deserved, particularly in the direction of providing the capital required for financing projects of debt redemption. The Committee were also not quite right in implying that the repayment of old debts becomes an urgent problem only when the creditors become troublesome and threatening. So shrewd are most creditors, and so farseeing are the more businesslike among them, that they can generally afford to play a watching game as long as the debtors pay them interest, market produce through them, and employ their services in the purchase of domestic or trade requirements. And where the debts are secured on mortgages with possession, the creditors prefer continuing to appropriate the bulk of the earnings leaving the tenant debtors just a bare minimum for his maintenance. They are also aware how our rigid methods of financing, the delays in receipt of money, and the insufficiency of the funds we supply, are bound to leave the requirements of members unsatisfied and that their own occupation, therefore, can flourish despite the starting of Co-operative credit Societies. Some creditors even expect that by making use of the societies they can get their bad or doubtful debts converted into deposits with the Societies and realised without much trouble on maturity of the deposits.

It is true that the economic position in many villages with Co-operative societies is that there is very little attempt to repay debts out of profits. Members when once redeemed have run into debt again, fresh debts are incurred to purchase land to build houses or to repay Societies' dues, indebtedness had in cases actually increased, and there is an artificial rise in the price of land vitiating the financial

basis of the working of societies' and even of agricultural economics. But it will hardly be possible to restrain the tendency of agriculturists to invest their surpluses in the purchase of fresh lands unless the system of co-operative credit provides an outlet for the investment of savings and of temporary surpluses, assures the investors of prompt repayment in case of need, guarantees them the grant of advances in conformity with the requirements of their industry, meets all demands without delay, and serves as a standby in case of distress. Otherwise, the agriculturist is naturally inclined to invest his surpluses or profits in the industry which has enabled him to earn a profit, and in a form which will serve as a security for future borrowings in case of need. Agriculture is the only occupation he understands and can supervise efficiently, and if a trader invests his profit in developing his trade, a mill-owner in starting more mills, a dealer in shares in the purchase of additional shares, there is nothing surprising about an agriculturist investing his earnings in landed property. The evil can only be checked by the development of the banking system, the improvement of the financial arrangements, and the growth of confidence in societies as channels for investment.

It is the practice in some provinces to clear off the debts of all members on admission. This is undesirable, but it is essential that when societies are started a fairly accurate survey should be prepared of the indebtedness of their members, and that after a few years' experience of the satisfactory working of the societies, schemes should be prepared for the liquidation of the debts of members, turn by turn, and for the substitution of the society as the principal, if not the sole, creditor of the members. There should be comprehensive inquiries carried out before applications for loans for debt redemption are sanctioned by financing agencies. The main guiding factor should be the management of the applicant societies. They should have a loyal body of members who repay their debts punctually, and have contributed something to the financial resources of the societies. The latter should prepare detailed statements of the indebtedness of all the members and frame regular schemes for the clearance of the debts of all good members in a fixed term of years. Such statement should contain information the following points about all members:—Net value of assets in land, annual income, amount of prior debt, names of creditors, causes for which debts were incurred, term of debt, and rates of interest, reductions to be effected, amounts required, security for loans, and period of loans from societies. The officer who scrutinises these applications should also check if the debtor has paid interest punctually, and what moiety of principal was repaid. The members should, in any case, agree to

repay to the societies as much as they paid by way of interest to their Sowcars, and should further undertake not to incur outside loans, at any rate without the consent of their society. Debts on which high interest is payable should be selected for early repayment, and mortgage debts and others bearing less interest being taken up later. Societies should secure their position in regard to such long term loans by special arrangements about the supervision of the debtors and even insist on special conditions such as the carrying on of agricultural trade through their agency or the agency of a co-operative institution approved by them. The financing institution will, in the first place, make detailed inquiries before sanctioning loans, and may prescribe suitable conditions about deposits of surplus funds and remittance of loan repayments direct to it. With such supervision, the introduction of the system of individual credits, and the improvement of the financial system in the direction of providing prompt and adequate finance, there is hardly any risk that debt redemption, if undertaken, will foster habits of thriftlessness.

It has been suggested that if the State undertakes the financing of large schemes of land improvement, such as the installation of plants and machinery, or the provision of minor irrigational facilities on co-operative lines, the productive capacity of land will be increased and as the income of the agriculturist will rise, the problem of indebtedness will automatically disappear in course of time. It has to be recognised that such action provides no true solution of the problem. Apart from defective education, the factor operating most injuriously as a damper on attempts at agricultural improvement is the indebtedness of the peasantry. This lies at the root of all rural stagnation as the cultivators cannot enthuse over the prospect of obtaining increased earnings by undertaking such improvements, when the supply of their requirements and the sale of their produce are controlled by a middleman-cum-moneylender, and their profits are heavily indented upon by the latter's demands. And, in some cases, the debt is secured on mortgage with possession, leaving the owner of land a mere wage-earner.

It will, however, be admitted readily that any scheme of *direct* financial assistance by the State in whatever form and for whatever purpose, is likely to sap the independence of the co-operative movement. But the State, as such, has a responsibility in this matter, and the responsibility can be discharged in any one of following three or four ways. The first is by raising special provincial loans annually for the grant of financial assistance to rural societies for clearance of debt. This may be ruled out as unpracticable, and even unnecessary at this stage. Next, there is the suggestion made by Sir Daniel Hamilton and others

that the Government of India should place with the Provincial Banks in all provinces the surpluses of Government, thus increasing the resources of the movement. This is not of much use for the purpose in view, as the surpluses cannot be locked up for the long periods required for loans for redemption of old debts. Another suggestion is that central land mortgage banks or a provincial land mortgage bank should be organized to specialise in this class of business and be granted financial facilities by the state. Such banks may have to be started in the near future, but as duplication of machinery is undesirable, and as the existing Provincial Bank in this Presidency has been granted special facilities for raising long term capital, no further special concessions can be demanded from the State. Lastly, it is proposed that the existing Provincial Bank should raise additional debentures upto the of sum Rs. 20 lakhs permitted under its Agreement with Government, and even more in proportion to increases in its share capital. Such provision will enable it to undertake the financing of co-operative credit societies direct or through central banks or through mortgage banks for redemption of the debts of agriculturists. The trend of development in this Presidency and the history of its growth point to the last being the most suitable, and at the same time—from the standpoint of the taxpayer—the least objectionable form in which the responsibility of Government can be discharged. Thus State aid is obtained in an *indirect* form, and is made available through the *institution at the apex* of the financial system.

The question has been raised—a question which goes to the root of the economic basis of the co-operative credit movement in India—whether debt redemption should extend to uneconomic cultivators. This needs serious consideration. The movement aims at helping persons of limited means. Both Government and those publicists who supported them were conscious that persons of limited means were often uneconomic holders, but they hoped that by life being infused into their industry, such cultivators would improve their economic position. They would lay by savings, borrow cheaply, introduce secondary industries, increase productivity, and arrange mutually to consolidate holdings. If certain holders are to be classed *permanently* as uneconomic, credit societies would have been well advised not to have admitted them to membership, and if they had once been taken in, to have dismembered them. But if holders classed *for good* as *uneconomic* continue to be financed by societies, and indirectly by the general public through Central and Provincial Banks, the safety of the latter's investments is gravely jeopardized, for such persons are bound, in course of time, to default and to involve societies in bad



debts. The fact is that it is difficult to decide what holdings are economic and what uneconomic. Only local conditions can determine who are uneconomic cultivators, and which cultivators though economic are likely to degenerate into uneconomic holders. Further, is its only by keeping in touch *locally* with the business of a society and through it with the affairs of members that it will it be possible to prevent any deterioration in the economic position of members and any increase of indebtedness. What is more, co-operation will then be in a position actively to assist in strengthening the economic position of agriculturists by improving the financial machinery, fostering agricultural organisation and the growth of secondary industries, converting societies into efficient and trustworthy village banks, and preventing members from incurring outside debts again either to pay off their dues to societies, to buy new lands, or to wipe out losses in the pursuit of agriculture or trade.

### CO-OPERATIVE SOCIETIES AMONG AGRICULTURAL LABOURERS IN THE TANJORE DISTRICT

The majority of the agricultural labourers in the Tanjore District, whether working on daily wages or farm servants are *Panchamas*, which term is synonymous with the expression "depressed classes". There are, no doubt, poorer members of almost every caste except the Brahmin who are engaged as agricultural labourers. That the Panchamas are *untouchable* is well known; but the Panchama pollutes not merely by contact but by his neighbourhood and his being within the range of vision. He may not enter a Brahmin street and the theoretical distance at which he must hold himself from the Brahmin—a theory which is happily not so strictly carried into practice in the Tanjore district as on the west coast—is 64 feet. In the case of the other castes, Panchamas pollute them by touch or by entering their houses. Of course, Panchamas cannot enter temples. They have no access to public wells, drinking water-ponds, schools etc. Theoretically, every well, choultry and school established out of public funds is open to all classes, including the Panchamas, but as everyone is aware, there is very severe discrimination against Panchamas even in public institutions, not excepting the great majority of schools.

Under the pernicious system of *swanthai* which is prevalent throughout the district, and which the Mirasdar (landlord) is anxious to perpetuate, the Panchama receives from his Mirasdar an advance ranging from Rs. 10 to Rs. 100 and binds himself to work for him until the advance is paid off. The advance bears no interest and is seldom expected to be repaid.

The loan is the bait for perpetual service. The debt continues from father to son and hangs like a mill-stone round the neck of the Panchama which no effort of his own has hitherto been able to shake off. Life for generations under thralldom has had the effect of extinguishing in him all sense of independence, and has left him no other resource to better his condition except emigration from the land of his forefathers. Among the emigrants to the Straits Settlements, to Fiji, and the West Indies, the Tanjore Panchamas have always been conspicuous in point of number.

Though in a few cases the change may have been from the frying pan to the fire, still the freedom to emigrate has had in the past a very beneficial effect not only in raising wages in the district, but also by ensuring better treatment for the Panchamas as a whole. The land-owning classes are naturally against emigration. The agricultural labourers (called *Pannaials*) are liable at any moment to be turned out of their dwellings by an offended Mirasdar. This feeling of helplessness reacts on the Panchama labourer and makes him as a rule reckless of the future, and only too ready to find his comfort in the toddy shop where he may drown his miseries in deep potations. He feels he has nothing to live for. Eviction by the offended Mirasdar is not a slow process in the course of which the landlord and tenant are pitted against each other with varying fortunes in the arena of the Civil Court; for in most cases, the Mirasdar takes the law into his own hands by setting fire to the Panchama's hut, covering it with prickly-pear, or by unroofing the miserable hut of the Panchama pitching his moveables into the open air.

That the Panchama is discontented with his lot in the matter of house-sites is no secret. If he alleges to a casual enquirer that he is happy under existing conditions, it is because he is afraid of the consequences of offending the Mirasdar. The miserable condition of the Panchamas, and in a less degree of the caste labourers of the Tanjore district under the *Swanthai* system, the evil effects of which have been briefly described above, attracted the attention of Government, and in 1917 the Government of Madras laid down the policy that an endeavour should be made to secure to the Panchamas and other labourers in the Tanjore district the ownership of the sites of the houses in which they live. A Deputy Collector was accordingly placed on special duty in March 1918 for a period of six months. As the experiment proved successful, the appointment of the special officer, now styled Assistant Commissioner of Labour and placed under the immediate orders of the Commissioner of Labour, appointed to look after the interests of the Panchamas and other depressed classes in the whole Presidency, has been continued in the district. This officer has been engaged from the very commencement of his special duty

not only in acquiring house-sites for the Panchamas and other labourers but also in devising necessities for the social, moral intellectual and economical uplift of the Panchamas. It was apparent at the very outset that the mere provision of a house-site to a Panchama with his slave mentality would not be of much use if he were not at the same time trained in the principles of self-help, thrift, economy, and self-reliance. With this object in view, co-operative societies were formed in every village or group of villages, from which a sufficiently large number of applications for house-sites had been received.

The model bye-laws of the ordinary co-operative credit society were slightly modified to suit the purpose in view. The salient points may be briefly summarised below :—

(1) Each applicant for a house-site should pay a preliminary deposit of at least one-fifth of the cost of the site. The deposit generally taken is Rs. 10 from Panchamas, and Rs. 15 from caste labourers, entitling the member to get a site worth not more than Rs. 50 or Rs. 75, respectively.

(2) The value of each share is Rs. 5, with an entrance fee of annas four.

(3) The preliminary deposit paid by the applicant is converted into fully paid up shares in the co-operative society, repayable to the member not earlier than ten years and only after he has discharged all his obligations to the society.

(4) After acquisition is completed, a bond is obtained from the Panchayatdars of the society in favour of the Secretary of State for India for the cost of acquisition and demarcation, *minus* the preliminary deposits collected from the members and credited into the Treasury, all the newly acquired property of the members being at the same time mortgaged to the Secretary of State. The bond bears interest at  $6\frac{1}{2}$  per cent. per annum and the amount is repayable within 20 years. The members, however, on whose behalf house-sites have been acquired have to bear their proportionate cost of acquisition and to execute a document in favour of the society agreeing to pay the cost of the site with interest at  $12\frac{1}{2}$  per cent., in 10, 15 or 20 annual instalments according to the amount involved. The original deposit of Rs. 10 or Rs. 15, as the case may be, having been treated as share capital in the accounts of the society, is not deducted from the bond to be executed by the member. By reason of the large difference between the rate of interest payable by the members to the society and that payable by the society to the Government a strong reserve fund will be quickly built up. It has been calculated that in a village where lands

have been acquired for Rs. 3,000, the reserve fund will accumulate to nearly Rs. 1,000 by the time the Government loan is discharged.

(5) No member can claim a conveyance of the site allotted to him until after the expiry of 19 years from the date of the bond even though his dues have been paid up in the interval. This is a necessary precaution to prevent the Panchama from frustrating the object of Government by selling the site to the Mirasdar.

The anxiety of the Panchamas and other labourers, even at the risk of offending their Mirasdars, to become owners of house sites can be easily gauged from the fact that more than 8,000 men from 151 villages and hamlets in the delta taluks have deposited during the three years ending 31st March 1921 the enormous sum of Rs. 1,11,984-10-11, being one-fifth of the estimated cost of acquisition with a pledge to pay Rs. 5,60,000 in instalments. Acquisition work has been completed or is in various stages of progress in respect of Rs. 62,359-7-9 covered by 218 villages. Acquisition is pending in respect of the balance, namely Rs. 49,625-3-2, relating to 233 villages or hamlets.

The total number of Panchama societies organised up to the end of March 1921 is 121, of which 113 were registered, which catered for 161 villages and hamlets, with a total membership of 4,569. The landlords have always been asserting that the policy of Government in making the Panchama labourers independent of the landlords in respect of their house-sites would have most disastrous effects on the agriculture of the district. It is indeed most gratifying to note that the fears of the landlords in this respect have been completely falsified. On the contrary, there has been a decided change for the better in the villages where acquisition work has either been completed or is in progress. Even casual visitors to villages where acquisition has been completed some time back and where a healthy co-operative society and Panchama school have been working for some time have been agreeably surprised at the changed outlook of the residents of the *paracheri* (Panchama quarters), the cleanliness and the improved types of huts with pials and windows (Panchama huts seldom had windows) rising here and there, the excellent new approach roads constructed by the Panchamas themselves, and the general tone of the village as a whole symbolic of the new awakening. There is no doubt that the present policy of Government has already begun to bear fruit. Even caste people who do not want house-sites have with a view to better their economic condition and stimulated by the co-operative activities of the Panchamas, become members of Panchama co-operative societies. It is also gratifying that the landlords have begun to pay better wages and to treat the Panchamas better. Drink has

been completely given up in more than 25 villages where work has been assisted by the special staff. In some villages, the Panchamas have given up eating carrion. There is no doubt that the Panchama who has become the owner of his house-site has learned to be self-reliant, self-respectful, neat and thrifty.

One special feature of these Panchama societies is the great importance which is paid to the training of the Panchamas in thrift and economy. Home safes of the homeliest description, in fact tiny mud pots made of clay with a narrow slit at the top have been distributed among members. The slit in the *undikalayam*, as it is called, is covered by a tiny piece of paper about 2 inches long and one inch wide on which are printed maxims suitable to the Panchama intellect on principles of thrift, economy, self-help, sanitation, and temperance. On this paper again, a sharp slit is made by means of a knife. Any coin can be thrown into the *undikalayams* through the slit but no coin can be taken out without tearing the paper. The members are instructed never to take out the contents of the *undikalayam* except in the presence of the Co-operative Inspector who will credit the amount to their respective loan accounts. No doubt this looks like giving a cash box and the key thereof to a man whom we cannot entirely trust and asking him not to open the box. Cases have no doubt come to notice where the Panchamas have taken out the contents either when they were tempted to go to the toddy shop or for some other purpose. This, however, cannot be helped. At the same time, it cannot be denied that the *undikalayam* has a very good educative value inasmuch as it trains a man of good will in thrift, economy, and punctuality. The Panchama labourer is generally so thriftless that every possible method has to be devised with a view to enable him to wipe off his debt. It has been found by actual experience that this is an exceedingly simple device to train the Panchama in thrift. The experiment was started only recently, and it was possible to supply *undikalayams* to only 2,917 out of 4,569 members. The total collection through these *undikalayams* amounted to Rs. 4,124. The Panchamas themselves appreciate the value of this experiment. With a view to stimulate such savings a further device has been made of giving on every occasion when the *undikalayams* are opened in the presence of the Co-operative Inspector, a present not exceeding one rupee out of the funds of the co-operative societies to the Panchama who has saved the largest amount since the last monthly collection.

In 78 villages, new schools were opened for the Panchamas and 2,252 children including 198 girls receive elementary education at these schools. In most cases, the teachers are the secretaries of the local co-operative societies and also the salesmen of the co-operative branch stores.

Two co-operative trading unions have recently been started to cater for the needs of some forty co-operative societies of Panchamas. The fringe of the problem has just been touched, and the task ahead is tremendous. But it is gratifying that every attention given to the Panchama is repaid a hundred-fold. As has been rightly observed by Mr. Hemingway, Registrar of Co-operative Societies, "men of this class if given a chance and properly looked after will make excellent co-operators."

D. ARULANANDAM PILLAI

## CO-OPERATIVE LIFE INSURANCE

All interested in co-operation will have read with interest an article on the subject of co-operative life insurance contributed by Mr. G. S. Marathey to the March number of this Quarterly. As one interested in and connected with the actual working of an Insurance Company, the writer is confronted with certain doubts on the several points raised by Mr. Marathey, which he would like to place before the readers of this journal. These doubts are put forward not with any desire to discourage the organization of life insurance on co-operative lines. But as "to be forewarned is to be forearmed," it is essential for all those interested in co-operative life insurance to keep before their eyes a few points of primary importance.

It has been suggested in the article referred to above that the shareholders of an ordinary life insurance company take away large profits. This is not quite correct. There are many companies which distribute so much as 90 per cent. of their profits amongst their policy-holders. In such cases, therefore, if the companies were working on co-operative lines, the policy-holders can get only 10 per cent. more profits distributed amongst themselves, which after all will not be a very large amount. Further, it is suggested that many co-operators will offer their services to help the co-operative insurance society, in getting business. It is very difficult for one knowing the difficulties of getting business to accept this assumption. To depend on more voluntary help, in a business-like concern, is to court failure. This is not a work which will appeal to anybody's sentiment of public service. And if the co-operators who get business work for commission, they are likely to be tempted by an ordinary insurance company which can afford to pay a higher rate of commission, just when they have learnt their canvassing business properly.

Insurance is a business of averages and all the calculations are based on averages. How will this law of averages affect co-operative life insurance societies? It is very likely that they may have to confine their field of action to small and limited areas. It will be difficult to frame rates—in

any case favourable rates—for such small areas and it may also be dangerous to confine business in these areas only. If there is an epidemic prevailing in that area, the mortality will at once rise up and there may be a loss in the business. If, however, the business were spread over the whole country, the loss resulting from a particular area may be met with from the premia earned from other localities. Hence the principle of restriction of areas of operations to which co-operative institutions have to conform acts as a serious handicap. The next point is cost of management. From the observations made above, it will be seen that there is not much likelihood of reducing considerably the cost of the canvassers' commission if the society really wants a good amount of business, in view of the competition of ordinary companies. The other expenses will be almost the same as in ordinary insurance companies, and if the field of action is confined to limited areas the ratio of the expenses to earnings will perhaps be higher than in ordinary insurance companies.

Then let us take the rates of premium. These generally depend on the rates of mortality and expenses. If, therefore, there is no better position in respect to these two items, there is no possibility of reducing these rates. On the contrary, if the area of operations is small, calculations will have to be made keeping in view the breaking out of some epidemic, and because of the smallness of the area, the ratio of expenses too may be unfavourable. Hence, rates of premium are likely to be, if anything, higher than in ordinary companies.

To attract business is of the utmost importance to insurance companies. People in general and those staying in villages in particular are very shy about insurance. To persuade them, much more than the mere moral influence of a co-operative society is needed. They will have to be canvassed personally by intelligent people, and by attractive schemes of insurance. Hence good canvassing and some advertising is essential. Even co-operative banks advertise—and rightly too—in order to attract business. As, therefore, expenditure on publicity must be incurred. This too will militate against any lowering of the expense ratio.

It has been suggested by Mr. Marathey that a sum of Rs. 3,0000 should be raised before starting a co-operative insurance society. It will be seen that some fund to serve as a nucleus is considered necessary even in co-operative insurance. If no return is to be made to those who subscribe to this fund, the amount will not be forthcoming. In effect, what is intended is to have a share capital of Rs. 30,000 converting the scheme into an ordinary insurance concern.

To recapitulate, even a co-operative insurance society will have to find a capital of Rs. 30,000, it will have to employ and pay intelligent

canvassers, it will have to advertise to some extent, it will have to incur some cost of management, and it will have to keep the same rates of insurance as those of some existing insurance companies. Then one may well ask what are the special advantages that co-operative insurance seeks to confer. Can such a society inspire more confidence about the safety of money than an ordinary insurance company? Can it issue smaller policies—say of Rs. 100 to Rs. 250—to suit the condition of the rural insurer? Certainly not, because in that case the expenses of management will be much increased. Such a concern can, at the most, get some capital to be invested for other co-operative purposes, if the society survives the pit-falls and dangers it will meet with in a few years after its start.

Many of the advantages sought through co-operative life insurance can, however, be secured through reliable existing ordinary companies. As observed in the Editorial Notes in the March issue, there is at least one Indian company in Bombay which issues policies for Rs. 250. This amount should be considered sufficiently small even for rural areas now-a-days. If the canvassing of business is done by co-operative societies of various places, through some energetic members, the societies can very well claim good commission from the company to which they send the business and a portion of this commission may even be paid to those who actively canvass business. If several societies together can use their influence in attracting very good amount of business and can earn good premia for the insurance company, co-operators can even insist upon the insurance company placing large amounts of money as deposits in the Bombay Central Co-operative Bank, and thereby co-operative societies can indirectly get the benefit of the capital without undertaking the risks attendant on the starting of co-operative insurance societies.

The business of insurance, in itself, is a demonstration of the working of the principles of co-operation; so many policy-holders combine together, and collect small amounts in order to help the family of one who meets with a premature end. The function of the company is to manage the business for the policy-holders and to safeguard those who put in their premia or small amounts. Then comes in the canvasser who brings many people together because the insurance business is based on averages, and if the number of people coming together—or in other words policy-holders—is small, the whole scheme will fail. These agencies are paid agencies and unless they are substituted by voluntary but equally efficient agencies, which as argued above is impossible, the business cannot be cheapened and no special advantages derived by organizing independent life insurance societies on a co-operative basis.

KESHAVPRASAD C. DESAI



## THE CO-OPERATIVE YEAR

Co-operative societies begin their official year on 1st April and close their accounts on 31st March. In most districts the closing of one year and the opening of another coincides with the season, particularly for the cotton crop. Immediately after the end of the year, societies have to submit their balance sheets after closing their annual accounts. Sometimes, the season has not sufficiently advanced for the sale of agricultural produce, and occasionally it is noticed that members pay off their loans and interest a few days later. For the purposes of the year just closed, these cannot but be marked as arrears. As interest "not recovered" is not taken as realised in rural accounts, not infrequently such societies show losses. In fact there are no losses, but by fiction they are held such for account purposes. This is one disadvantage.

In most rural societies, secretaries are village accountants. They will be there for a considerable time yet. They are, at the close of the official year, very seriously engaged in collecting Government revenue. This being the case, it is not possible for them to attend to societies' business, at this time when balance sheets have to be drawn up, with the required degree of attention. The third and by far the strongest argument against the prevailing practice is that there is no readiness to close the accounts. In urban and district banks where accrued interest is allowed to be taken into account for the purpose of declaring dividends, calculations are not ready. The staff is busy with recoveries on account of its being the time of harvesting. As balance sheets are to be prepared and submitted soon they are hurried up and there are great chances of errors occurring in framing the annual accounts.

What should the year then be? The original date was 30th June, and it was then changed to 31st March, perhaps, with a view to secure uniformity, as the Government financial year concludes on 31st March. But the revenue year does not end until 31st July. Consistency or uniformity has, therefore, little importance here. That has to be sacrificed to convenience.

Will 1st August suit us then, as our New Year Day? I am afraid it will not, for obvious reasons. The monsoon has far advanced by that time and most of the village accountants have left their villages by then. Again, the auditors would find it most inconvenient to journey into the interior this time of the year. In some districts, the roads are impassable and in others all communications are temporarily cut off. Why not then have the 1st of January? To the writer that appears to be the most natural and convenient date. People are then free from agricultural operations. The

staff of societies will be considerably inconvenienced by the Xmas holidays, and they will close their accounts with greater accuracy and ease. The Government audit staff will be also refreshed after their holidays, and can begin their operations with the opening of the fair season. This would again be in harmony with the calendar year.

A. U. MALJI

## PROGRESS OF CO-OPERATION IN INDIA

### HYDERABAD

The year under report was one of extension of the movement in various directions, and witnessed the introduction of forms of co-operation other than agricultural credit. The total number of societies increased from 989 to 1,252, the membership increased by nearly 7,000, and the working capital by about 15 lakhs. Agricultural societies increased from 919 to 1,120, the membership and working capital increasing by 4,900 and nearly 7 lakhs, respectively. All the societies, except six, have adopted the share system which is very popular and thus the original proposal to work the societies on the pure Raiffeisen type has failed. A new feature of this year was the introduction of improved ploughs through credit societies. The "Kirloskar" has become the popular type. Since the price of the plough is prohibitive to the individual farmer, the societies have taken it upon them to provide the ploughs on credit to their members as funds permit. There is also a system of letting the ploughs on hire for daily use. As the supply of agricultural requisites is as important as the supply of cheap credit for successful farming, the mixed societies of the German type have much to recommend as regards management and economy particularly where the volume of business is small and the personnel required to run different societies for different purposes lacking. The total share capital amounted to Rs. 4,04,788 or 12.73 of the total working capital. Reserve funds amounted to Rs. 2,78,805, while the deposits were only 4.59 per cent. of the total working capital. The major portion of the working capital was obtained from central banks as loans. Although the proportion of the owned capital has increased from 16.53 per cent. to 21.47 per cent. the proportion of deposits has fallen from 5.50 per cent. to 4.59 which is rather discouraging. Until rural societies succeed in attracting local savings, the movement cannot become self-dependent and self-supporting. The recovery of loans was 22.7 per cent. of the amount due as against 26 per cent. of the previous year. The amount of overdue loans is only 2 per cent., but this can hardly be accepted as correct looking to the

average percentage of overdue loans in the neighbouring provinces. It is the practice probably in Hyderabad to grant extensions freely or possibly fictitious repayments are not unknown. That this conjecture is not very wide of the mark will be evident from the fact that the amount overdue in societies increased from Rs. 86,083 to Rs. 1,33,948.

Of the loans advanced, the largest amount, namely, Rs. 4,46,353, was for the purchase of bullocks. A sum of Rs. 1,44,769 was spent for the repayment of Mahajan's debt. 3,262 acres of land were redeemed during the year and the amount advanced for this purpose by societies was Rs. 47,712, and the balance required was found by the members themselves. 3,437 out of the 24,405 members in societies have freed themselves from the clutches of the Sowcars. The policy of encouraging the sinking of wells by members with the aid of loans from their societies was continued. 399 old wells were repaired, while 157 new ones were sunk with the help of Rs. 57,181, advanced by the societies. In his report last year, the Registrar referred to a society in which all the members were free from debt, owing nothing either to the society or the Sowcar. Eight more societies are reported this year, as being in a similar position, but, according to the Registrar, this premature success has had its own lessons to teach. The number of members in such societies appears to go down owing to the persuasion of the money-lenders who preach to the simple-minded agriculturists to sever their connections with their societies as they have cleared all debts to the societies and the sowkar. It is only by the education of members in the principles of co-operation and the introduction of other forms of co-operation that it will be possible to keep alive their interest in co-operation. Another interesting departure may be referred to. A famine protection fund was created in the year under report. Each member has to make half-yearly compulsory deposits which are not withdrawable except in times of famine.

Non-agricultural credit societies increased from 61 to 122, 95 of which have a limited and the rest an unlimited liability. Nearly one-half of the societies are in Hyderabad proper. Non-credit societies were organized in the year, and there were at its close six stores, 22 weavers' societies, and a society for carpenters. The stores sold goods to the extent of Rs. 54,034. The 22 weavers' societies have a membership of 563, and command a working capital of Rs. 25,830. The advances made to members are in yarn except small sums which they want for domestic expenses. A union has been formed with the object of supplying yarn to the societies and receiving back the cloth in repayment. These societies have been helpful in fostering the silk-weaving industry of Warangal and the gold cloth weaving of Paithan (Poethavo of the Periplus) in the Amangahad District.

A demonstration factory of improved looms has been opened at Warangal. Other interesting types of societies are those of carpenters, tongawallas, paper manufacturers, and sweepers.

Central banks increased in number from 9 to 10. Their membership increased from 1356 to 1697, and the working capital from 21.50 to 27.44 lakhs. The amount of deposits, however, decreased in proportion to the total working capital. All the central banks, except the one at Raichur, received loans from Government and the attempts made to increase local deposits have not been successful. The movement is dependent to a very larger degree than in other parts of India on financial aid from the State. This slow growth of deposits is attributed to the waning official influence and the gradual slackening of the zeal of the directors. Another factor is probably the fluctuating rate of exchange between the British Indian currency and the local currency which tempts depositors to withdraw capital from time to time. Government have decided that in the near future a Provincial Bank should be established and have accordingly called for proposals from the Registrar. They made advances during the year to the extent of about 5½ of lakhs, and had it not been for this and the newly established societies could not have been financed. Although the comparison of the state of affairs of the year which happens to be the sixth after the introduction of the movement, with the sixth year of the movement in British India is not in the least unfavourable, it is a matter for serious consideration whether this dependence on State aid is desirable, for, unless the movement is spontaneous and self-supporting it cannot result in any substantial improvement in agricultural conditions.

## REVIEWS

**Land Mortgage Banks—the Only Savior.** By Hosakop Krishnarao.  
(Prabhakar Press, Udipi, 1921.)

The big question in all rural countries is rural debt. It is natural, therefore, that the gravity of the problem should attract the attention of publicists in this country from time to time and various pleas for its solution put forward from different standpoints. The extent of the evil has, unfortunately, reached such dimensions that it can hardly escape the attention of those who lay claim to promote the moral and material well-being of the vast mass of debt-ridden agriculturists forming the bulk of the population of this country. The economic welfare of the country, therefore, depends on the correct diagnosis of the malady and the discovery of the true remedy. The Government of India instituted

various measures to tackle the situation but to no great purpose. The failure of early attempts confirmed their belief that in the re-organization of rural credit on a satisfactory basis lay the real solvent. As a result of practical experience, co-operative credit was introduced in the country under the Co-operative Credit Societies Act of 1904. The passing of the Act marks a red letter day in the history of rural credit in India. A heated discussion has, however, gone on in the press and on the platform as to whether the rural problem can ever be satisfactorily solved by the spread of the co-operative movement alone and whether non-co-operative banks on the Egyptian model should be started. It is contended by the advocates of land banks that the co-operative credit system is unsuited from its very nature to touch the root of the problem supplying as it does only short term personal credit and thus at best is only a palliative. They further argue that the appalling amount of debt into which our peasantry is sunk is impossible of eradication except through State agency backed by State funds. This was in short the charge levelled against the co-operative credit system by Sir Dinshaw Wacha in the "Economic Journal of India" some time ago and the present brochure by Mr. Krishnarao is more or less an echo of these views. It focusses the opinions of some Mysore co-operators who are in favour of the introduction of agricultural banks on the Egyptian model, and who wish to influence the decision of the Enquiry Committee that has been appointed to investigate the problem of rural development in the State.

The land banks controversy is to our thinking as old as the co-operative movement itself in India, and has so far produced no tangible results being now only a question of academic interest. For the purpose of this brief review it is not intended to tread the same controversial ground again. Reference may be made, however, to the able rejoinder given by Mr. A. C. Chatterjee in the "Economic Journal" which should convince any unbiassed reader of the futility of the claim of agricultural banks to be the only savior. Co-operators do not want to turn down any other scheme intended to afford relief to agriculturists and have no vested interests to guard. But co-operators are compelled to differ from the position taken up by the author, through the mere logic of historical facts. Because a particular system has proved beneficial under a certain set of circumstances it is no argument to say that it will prove beneficial to all other countries at all times, irrespective of climatic, social, religious, and political differences. It is often supposed that poverty and indebtedness in the land are the direct outcome of the system of land assessment obtaining in the country, and as the State is mainly responsible and as over-lord is invested with responsibilities of its own, it cannot discharge such responsibilities unless it comes to the rescue

of the overburdened agriculturists through its own banking agency providing cheap finance.

There is a certain amount of truth in this argument, but a little reflection and an appeal to history will show that no State agency, howsoever financially strong and howsoever well intentioned, can eradicate the evil. This is amply borne out by the experience of the Egyptian Bank itself. The Egyptian Bank was started not because it was the only savior, but because no other system of rural credit could be thought of at the time. It is interesting to learn, however, that after the passing of the Five Feddan Act, Egypt herself was obliged to introduce the co-operative credit system along side of Lord Cromer's pet creation. Without this, the Agricultural Bank could not go on. To claim for the position of being agricultural banks the only savior of the agriculturist would, therefore, is to ignore history and to be blind to its teachings. This is not, of course, to say that co-operative credit is the only panacea for all the social and economic ills to which the country might be subject. Co-operative credit too has got its limitations, and cannot lay claim to conjure up a new heaven and a new earth. The history of the movement in the West unmistakably points out that in a country of small holdings, similarly circumstanced as ours, co-operative credit has proved a great boon, and if the prospects of agricultural banks prove tempting to Mysore co-operators, by all means let us wish them godspeed in their attempts to transplant it on their soil and let us profit by their experience.

Poverty and indebtedness are the cumulative effect of various social and economic evils ingrained in our society, such as the Hindu and Mahomedan laws of inheritance, excessive fragmentation of holdings, the growth of population and the consequent undue pressure on the soil, the decay of village industries and crafts, and above all the vicious system of village credit still practised by the Bania. The riddle will remain unsolved and it would be idle to lay unction to our soul until we have changed the law of partition, stopped by legislation the excessive sub-division of soil, rehabilitated our decaying industries, provided fresh outlets of employing to the starving sons of the soil, and above all put an effective check to the growing rapacity of the Mahajan by instilling a sense of self-respect, thrift, and self-reliance through the agency of co-operative credit and if possible by the entire repudiation of the whole burden of debt itself. The pamphlet, however, does not deal with these aspects, but is a reiteration of the earlier views expressed by writers whose opinions could not be supported by facts of evidential value, and as such it lacks essentially in originality, breadth of conception, or width of vision. The complexity of the problem bewilders the author who with a scanty equipment of literature merely indulges in one-sided quotations

and tries to put forward extravagant pretensions for the scheme. His dogmatic assertion that mortgage banks are the only solvents of the problem of rural debt and his cynical attitude towards the co-operative system, though mingled with a sense of appreciation, betray the narrow views of a biassed partizan rather than of a fair-minded critic anxious to seek the real truth. The chief defect of the pamphlet is that it freely indulges in quotations of vehement personal attacks least calculated to influence the opinions of right-minded persons. This feature of the pamphlet is unfortunately likely to mar its value greatly as an independent contribution to the discussion of the problem and the scathing personal attacks on eminent co-operators in this Presidency especially make unpleasant reading.

K. R. KULKARNI

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**The Way to Agricultural Progress.** By D. S. Dubey, M.A., F. Es.  
(Thacker Spink & Co.)

The publication of this little brochure is welcome particularly now when every mind appears busy with schemes of social and political reform, when every effort seems bent upon doing something to raise the status of weaker sections of the community. The author has endeavoured to deal comprehensively with the problem of agricultural development and to prove the causes of agricultural depression. He enumerates the various factors leading to this depression, such as sub-division of holdings, pressure of population, want of adequate capital and knowledge, and the interception of agricultural profits by middlemen. Having thus diagonalised the disease he goes on to show that the proper remedy for this state of things is that the problem of agricultural reforms should be dealt with boldly all at once and as a consolidated whole and suggests the appointment of a strong commission to investigate the economic conditions of present day agriculture. Mr. Dubey writes optimistically about the possibility of reforms being introduced and piously hopes that funds should be forthcoming as agricultural development concerns the interest of the country, and the interest of humanity itself! The gravity of the problem is such as is not possible of solution by pious wishes and noble appeals alone.

K. R. KULKARNI

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## EDITORIAL NOTES

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One of the most hopeful and encouraging signs of the "coming to age" of the co-operative organization in any province in this country is the interest displayed by co-operative workers in problems of policy and future development and their willingness to assume wider responsibilities. The earlier demands for loans from Government, dependence on Government direction and the pleadings for an increased official staff to guide and control the movement then yield place to a thorough realization of all that is involved in the practice of self-help, a clear appreciation of the limitations of external control, and a keen perception of the potentialities of the movement. Co-operators will then ask themselves whether in spite of the starting of various bodies for the propagation of the movement and the exercise of internal control, any real and substantial transference of powers and functions to these has been achieved, and whether the Co-operative Department does not still undertake duties that lie outside its true sphere of operations. They will then realize that the movement can really be a vital force in the life of the community only if its direction and organization proceed on a self-governing democratic basis, and that the only satisfactory line of growth will be under the inspiration of leaders responsible to representative co-operative organizations. Placed originally as the guides, philosophers, and friends of the movement, the dominating position within the movement occupied by the Registrars was to some extent justified in the early years. The movement is, however, now a growth of more than a decade and a half, and in all the major provinces independent co-operative organizations have been started which provide a body of representative workers responsible to co-operative societies. It is, therefore, pertinent to inquire if any steps have been taken definitely to divest the Registrars of their numerous functions and to invest all grades of co-operative institutions with greater freedom and larger initiative than they enjoyed in the earlier stages, and to transfer to central organizations, in all provinces where they exist, definite powers and responsibilities. This is not a matter of mere academic importance. To secure the efficiency of the various component units in the movement, to promote its extension to all spheres of economic activity, and to ensure its organic unity, it is essential that the machinery for propagating and guiding the movement should be popularized, that co-operative institutions should be freed from the trammels of formal rules and codes and be left to evolve their own policy, and that dependence on a staff responsible only to the centralized Department of the State should be reduced to a minimum. And if continuity of policy and aim and ordered progress on lines accept-



able to co-operative opinion are to be maintained, the transference of control to co-operators becomes all the more essential. In this Presidency, it was fortunate that one officer was in charge practically all through for a prolonged period of eight years, and that too an officer who grew up with the movement and with whom the movement grew. This position is not likely to recur, and with every change in the office of Registrars, if the control of policy rests with the Registrar, there is a likelihood of continuity of policy being disturbed, harmony of growth destroyed, and a new set of ideals introduced in the movement. Co-operators will, unless they are directly made responsible for decisions on matters of policy, find themselves confronted, in an increasing measure, with such settled facts, which even though they may not accept they cannot unsettle and which they can much less justify before humbler rural workers. Latterly, the practice has grown of co-operative workers being occasionally consulted about changes in policy, but the decisions when arrived at are decisions of a single individual and not of representative co-operators acting together. It is fair neither to the Registrar nor to the movement to have it directed along lines which it has not chalked out for itself, and it should be definitely understood that no changes in policy are binding on the movement unless specifically agreed to by the representative institutions within the movement, or by such component or cognate bodies—for example, the Provincial and Central Banks, or local conferences—to which power of deliberation has been delegated. And all the constituent units within the movement should, subject to the statutory restrictions imposed by the Act and the rules framed under it, enjoy real freedom and power. In regard to agricultural societies and their financing agencies, at any rate, the lines of working are now well-defined and clear. Changes in policy should, in future, be introduced either on their own initiative or in consultation with them. Administrative practice will be regulated by the existing rules and orders, as modified from time to time by representatives of the institutions concerned, and it will be the duty of an affiliating body to see that these are adhered to by the institutions affiliated to it. In the settlement of ordinary differences of opinion, such institutions will look for assistance to the branches or central body of the Institute, the Registrar reserving to himself power to intervene only in case of disputes as defined in the Co-operative Societies Act.

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This leads on to the final point, namely, that there should be a clear differentiation of the functions of the Registrar, and that **Transfer of Functions** of there should henceforth vest in him only the statutory functions, all the non-statutory functions, which are now vested in him as the supreme seat of power and authority in the co-

operative world, being specifically transferred to the Central Institute and through it to various co-operative bodies. The exercise of the statutory functions, judicial or quasi-judicial in character, must for some time remain with the Registrar, and as the representative of the Government he is well fitted to discharge these. As prescribed by statute, it will be the duty of the Registrar to receive, inquire into, and dispose of, applications for registration, to register the bye-laws of societies or amendments of such bye-laws, to have the accounts of societies audited annually, to permit by general or special order the grant of loans by one society to another, to make formal inspections in case of mismanagement and to hold inquiries, to arbitrate or to appoint arbitrators to settle disputes between members or societies, and to cancel or dissolve societies and appoint liquidators. In addition to these statutory duties, Registrars in almost all provinces assume responsibility for the performance of extra-statutory duties, which responsibility should be vested in co-operative institutions if the movement is to be a healthy growth. Among these duties which can easily be transferred to co-operative bodies is the selection of honorary workers, the formulation of policy, the power to reduce maximum liabilities and to fix rates of interest on borrowings, the drafting of bye-laws, the indirect control of supervising bodies, the framing of rules, orders, and circulars, and the collection and dissemination of information on trade, finance, banking, and various other matters. The result of concentration of power and initiative in the Registrars is that the departmental staff finds it difficult to cope with the growth of work, and despite the starting of propagandist and supervisory bodies there is a constant demand for increase in staff. This tendency will disappear once the differentiation of functions is determined, and co-operators themselves are entrusted definitely with all non-judicial and non-statutory powers and responsibilities. The movement will, after a time, gather a momentum such as has not been witnessed hitherto, and there will be gradually enlisted to the cause all those ardent, adventurous spirits who believe in the service of the community, but who keep away from the cause because of the lack of scope for free effort provided under the existing order of things. No fear need be entertained that a new bureaucracy will be created as the nature of the duties to be transferred and the constitution of the bodies to which the transfer is to be made do not admit of being controlled by a centralized administration. Training and propaganda, for instance, will be organized in local centres through local workers, and decentralization can be secured by the delegation of duties to local committees and advisory boards. Supervision will, as recommended by the Committee on Co-operation, be directed as an essential part of their duties by financing agencies, working wherever possible through unions and other respon-

sible agencies. And conferences, local and provincial, held periodically will provide the most suitable field for the deliberation of matters of policy, practice, and procedure.

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The first Provincial Co-operative Conference arranged in this Presidency under non-official auspices, was held at Poona in the last week of August. As this journal is to be issued early in September there is not sufficient time to take an exhaustive survey of the proceedings of the Conference or to comment at length on its decisions. A few brief remarks may, however, be made summarising the general impressions. The presidential speech was an able and exhaustive survey of the movement in the preceding year, and the closing observations of the Vice-President were both valuable and interesting. Despite the discontinuance of the travelling allowance, the attendance was almost a record one, and the general level of debate was fairly high. The Institute deserves credit—though the suggestion originally emanated from Dr. Mann—for organizing a sitting of the Conference jointly with the Agricultural Conference. It is by such deliberation in common that the co-ordination of the movements of co-operation and agricultural organization can be ensured. It is to be regretted that the Institute followed the practice prevailing hitherto, by requesting His Excellency the Governor to open the proceedings, and though the Hon. Mr. Chunilal Mehta was elected to preside at the deliberations in his personal capacity, as one who had taken and would take in future a prominent part in the co-operative movement, many of those present failed to realize that the Hon. Mr. Mehta did not preside because he was Minister in charge of Co-operation. It is also to be regretted that the nominations to the sub-committees were not carefully made, that separate seating arrangements were not provided for visitors who are not entitled to vote, and that owing to the unwieldy size of some of the sub-committees and the short time assigned to them for completion of their work their proceedings were not as satisfactory as they should have been. A certain number of the resolutions submitted for acceptance were of the nature of recommendations to the Institute and the subjects could have been referred to that body instead of having been placed before the Conference. There were other proposals before the Conference which would have had better chances of acceptance if they had been backed by the support of local conferences, and as the Chairman remarked it would be desirable in future to prescribe a regular procedure for the previous submission of several of the questions of policy and practice to local or sectional conferences, where the societies directly affected by the problems have real opportunities of making their voice felt.

It was also unsatisfactory that on the second day of the Conference, during the later stages, the proceedings had to be rushed through at an undesirable pace, and that a set of very important resolutions on some vital matters of administration had to be referred to a committee which was really not constituted for the object in view.

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The most important achievement of the Conference was the recognition, tacit though not expressed in words, of the principle that the control of policy should vest with co-operators themselves and the appointment of a committee to consider and suggest which of the non-statutory functions of the Registrar can be transferred to non-official co-operative organizations. One misses in the personnel of the Committee, the names of some distinguished co-operative workers but even constituted as the committee is, it can substantially help in de-officializing the control of the movement and in evolving an ordered system of self-government. Next in importance were the resolutions relating to agricultural co-operation. One of these recommendations was that in the famine tracts of the Presidency a new type of society should be evolved and encouraged by which the whole credit of the members, including their interest in their land for one or more years should be pooled and that joint cultivation and joint expenditure should be undertaken on their joint credit with the assistance of the Agricultural, Revenue, and Public Works and any other Departments concerned and that a new series of bye-laws be devised to provide for such societies. This, it may be hoped, is the beginning of a new movement for evolving a system of co-operative farming suitable to the economic, social and agricultural conditions of the various tracts of this Presidency. The Conference also adopted the recommendation of the sub-committee on housing that the present policy of discouraging societies not based on the co-partnership tenancy principle be abandoned, and that if tenant-ownership societies undertake to abide by certain reasonable restrictions, they should be given the same status and facilities as are given to other housing societies. On recommendations of the sub-committee on finance the Conference emphasised the usefulness and importance of the system of normal credits for individuals to be fixed in the general meetings of agricultural credit societies, enunciated some general principles governing the acceptance of deposits by primary societies and rejected the theory that borrowings in societies with an unlimited liability could be regulated by the amount of owned capital held. The Conference also declared that the system of guaranteeing unions as existing at present should be developed and strengthened, and that all central banks must make suitable provision for supervision which formed one of their essential functions.

The deputation of co-operators which waited on Sir George Lloyd at Satara last month raised a question of primary importance to the future of the co-operative movement. In the address which they presented they made pointed reference to the question of agricultural indebtedness and its redemption through co-operative societies. Government were requested to consider the desirability of establishing an independent co-operative land mortgage bank for the financing of schemes of debt redemption, and of allowing the funds of local bodies as well as Government to be invested in such a bank when started. Sir George Lloyd in his reply emphasised the economic aspect of the question. According to him, a considerable number of the occupants of land in the district are uneconomic holders. Even in normal years, they do not expect to derive any profit from the cultivation of their land, and have to supplement their earnings by seeking seasonal employment in Bombay or other industrial centres. The growth in the number of these uneconomic holders appears to be due partly to the nature of the soil and partly to an increase in the population but mainly to the constant sub-division of land caused by the Hindu and Mahomedan laws of succession. As a result of the operation of these factors, an occupant often has ten acres of dry crop land divided into 30 or 40 strips of various size, and it is rarely that he can, working on such a holding, make the pursuit of agriculture a financial success. Sir George Lloyd argued that if the bulk of the indebtedness was found among such uneconomic holders, redemption of their debts could be of no possible permanent advantage to them. No financing agency with any real sense of responsibility could face with equanimity the task of assuming vast liabilities on such mediocre security.

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Though substantially this diagnosis is correct, Sir George Lloyd appears to have lost sight of some important aspects of the problem. These are set forth at length in the article published elsewhere on "Redemption of Old Debts." Co-operative credit was introduced in this country definitely for the purpose of tackling the problem of rural indebtedness, and the authorities responsible for its introduction cannot shirk their duty by dismissing the problem of indebtedness as one impossible of solution in the present agrarian conditions of the country. Either they admit the failure of co-operative credit or they must devise and put into operation a comprehensive scheme of rural development, such as the rural organization of joint purchase and sale, the promotion of co-operative farming, the encouragement of small and secondary industries, the consolidation of holdings through co-operative societies, and the reduction of the burden of the interest charges on borrowings. For, if it is financially unsound to redeem the

debts of uneconomic cultivators, even to the extent of reducing the charges of interest on borrowings, it is equally unsound financially to continue, through co-operative credit societies, the financing of such agriculturists for their normal needs. According to the line of reasoning accepted by Sir George Lloyd, the pursuit of agriculture involves such cultivators in loss, hence the repayment of ordinary loans for the expenses of agriculture is a doubtful proposition, and the entire system of co-operative credit being fraught with financial risk may as well be dismantled. This is the logical sequence of Sir George Lloyd's arguments, but all who have faith in the efficacy of co-operative credit cannot accept the position, believing as they do that the problem of rural indebtedness is capable of solution provided a sound system of finance is devised and a policy of development adopted.

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Elsewhere in this issue is published an interesting communication from Mr. Rothfeld on the subject of guaranteeing unions. Certainly, no critic would blame a Government **Government attitude towards Unions** for changing their opinion in view of altered circumstances, as a consequence of fresh experiences, or out of a reasoned conviction. What was suggested, however, in the last issue was that the Government of Bombay had, without scrutinizing the statements on the subject of guaranteeing unions made in Mr. Rothfeld's last annual report, tacitly accepted his views, and had not realized the contradictions involved in this acceptance. Following the line taken by Mr. Rothfeld, Government attempt to justify their revised view of unions on the ground that the substitution of central banks for unions ensures decentralization in finance and secures an efficient financing and supervising agency. Based as their views were on borrowed reasoning, Government failed to recognize that the conduct of efficient banking necessitates a certain degree of centralization, and that it is only supervision that has to be decentralized. Moreover, if Government had taken care to study Mr. Rothfeld's own remarks on the failure of central banks to appreciate their true role in the movement, they would have hesitated before committing themselves to the line of argument adopted. Even in regard to supervision, the position assumed by Mr. Rothfeld and accepted by Government is not justified by facts. Anyone who has dispassionately examined the working of unions and of central banks is aware that almost all guaranteeing unions have an inspecting staff of their own in addition to the members of the committee of management who play an important part in the working of unions. At the close of the year 1919-20, there were 64 unions with a membership of 377 societies and commanding an aggregate working capital of 41 lakhs. These unions

employed a supervising staff of 80 at a total cost of Rs. 8,428. Turning to central banks, it is observed that at the close of the same year there were 13 banks to which were affiliated nearly 1,200 primary societies and which had a working capital of 28½ lakhs. The banks, unlike the unions, conduct actual banking business but still the amount spent by them on the cost of management was less than Rs. 14,000. The number of the supervising staff is not mentioned, but it could hardly be over five. It might be argued that it is only since the assumption of charge by the present Registrar that central banks have realized their true functions. If so, the figures for the year just ended should have shown an improvement in the position. Such an assumption would, however, be very wide of the mark. The unions which increased in number only by two and in membership by only 32, spent over Rs. 15,000 on supervision. The total working capital of their affiliated societies increased by about six lakhs and the number of supervisors by 6. The increase in the number and resources of central banks was larger. There were at the end of the year 17 banks affiliating 1,400 societies with an aggregate working capital of 42 lakhs, and in spite of the best efforts of the Department to get them to engage trained managers and full-time inspectors their aggregate expenditure on office administration and supervision did not exceed Rs. 20,000. Persons with an unprejudiced mind will have no hesitation in rejecting the conclusions of Government if they are based on facts entirely belying their assumptions.

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The fact is that pressure and persuasion and education in their functions have succeeded in relation to guaranteeing unions, accompanied as these were by suspension or reduction of the credits without which primary societies cannot carry on their operations. Central banks are less amenable to influence, and the Department hesitates to employ the same methods which it enforces in relation to the humbler classes who constitute the personnel in unions. Credits have to be granted up to the fullest maximum limits permissible, whether or not the banks engage a supervising staff. Unions have to maintain regular diaries of the supervision conducted and credits are regulated accordingly. Central banks fail to appoint inspectors or having created appointments on paper, fail for months together to make selections and still suffer no diminution in credit. It is a natural conclusion that the development of unions is not favoured, although it is satisfactory to find that the last Provincial Conference reiterated the view that unions must continue to be an integral part of the co-operative organization in this Presidency. Another point made by Mr. Rothfeld in his communication is that unions must stand in proper relation to the central

banks in the districts in which they are located. As co-operators are aware, the system of guaranteeing unions was originally introduced in this Presidency to serve as a connecting link between the Provincial Bank and primary societies. That was also the function discharged by unions in Burma where the system had its origin. The starting of central banks does indeed alter the position, but only slightly. The views of central banks were obtained on this subject early in 1920, and the consensus of opinion, supported also by the Department, was that until central banks were in a position to provide prompt and adequate finance to the ordinary primary societies affiliated to them, guaranteeing unions should continue to be financed by the Provincial Bank. The reasons are obvious. One of the main advantages of the system of unions is that it enables the primary societies to get funds promptly and freely once their credits have been assessed. It is to obtain this privilege that societies undertake to pay a contribution to the funds of the unions, to maintain mutual supervision, and to assume liability for the borrowings of neighbouring societies. If affiliation to a district bank involves—as it must involve under the present conditions when admittedly the agricultural primary societies do not enjoy prompt and adequate finance—the suspension or curtailment of credits unions naturally object to being disaffiliated from the Provincial Bank, which grants credits drawable almost on demand. As the credits are carefully assessed, and, latterly, the unions have been subjected to regular supervision, there is little danger of the facilities being misused. Further, the system has yet to be developed, for, as Mr. Rothfeld himself recognizes, it has immense potentialities. It is, on that ground too, desirable that the assessment of the credit of unions should to a certain extent be standardized and unity of aim and uniformity of practice evolved. With the inspecting agency, of the central banks developed as it is at present—when responsibility for supervision of primary societies is not assumed fully—it appears undesirable to entrust to them this additional duty of developing unions, and if co-operators are anxious to develop and strengthen guaranteeing unions, as an integral part of the co-operative organization until central banks increase their resources and improve their inspecting agency, it seems necessary to permit unions to seek affiliation with the Provincial Bank.

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The main features of the system of unions in this Presidency are mutual supervision and the recommendation of loans in virtue of this supervision. To prevent such recommendations being irresponsible, a guarantee is attached to them, and the guarantee is restricted to a definite, easily ascertainable



amount. Finally, the unions as such eschew monetary transactions and financial liability in their corporate capacity. The most important point is that the liability is limited and that it is indirect. The liability must be limited, for under the Act, no unlimited liability society can be a member of a society the liability of which is not limited. The liability is, as it should be, clearly defined in the bye-laws and easy to ascertain at any time. The Burma system makes it variable and this was strongly criticised by many co-operators. The system of guaranteeing unions originated in Burma, and, despite the defect in regard to liability, unions have been so successful in that Province that the entire financing of primary societies was conducted until a couple of years ago, by the Provincial Bank working through unions and not through central banks. It is recognised, on all hands, that despite the illusory character of the guarantee, the system has been surprisingly useful in Burma, in propagating the co-operative movement, in diffusing a knowledge of the principles of co-operation among the rural classes, in stimulating the activities of the office-bearers of societies, in ensuring proper supervision over the working of societies, and finally in evolving a class of rural co-operators who can be entrusted with responsible functions in their representative capacity. So the illusory nature of the guarantee need not present any insuperable difficulty if co-operators in this Presidency are in real earnest about developing the agency as an integral part of the system. Even the unlimited liability undertaken by members of rural credit societies is not very easily enforceable. It is effective after liquidation, and then too it is of the nature of a contributory liability in its effect. And still, all co-operators agree that the principle of the liability adopted has enormous moral value in improving the tone of management and in securing financial stability. Similarly, it is for its moral value more than for any tangible accretion to the security of investments that the principle of an indirect guarantee has been introduced in the union system, and it is not the form of the guarantee that has made the recommendations of unions irresponsible. The nature of the liability has to be clearly explained, the guarantee should be made effective by restricting or suspending credits, and the unions should be educated into the proper exercise of their functions by scrutinising credit limits in individual societies, by checking forecasts and applications for loans within sanctioned limits, and by vesting in them powers to ask for enquiry into the affairs of recalcitrant and disobedient societies. This is the line of action followed with very satisfactory results in Burma. If there is at present lack of success it is due to the absence of educational work and the want of a proper realization of the functions of unions.

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There is a proposal that the overdues of one society in a union should be recoverable summarily from other societies. **Form of Liability** This is wholly objectionable, both in principle and in practice, and is entirely opposed to the fundamental idea of the union system. It is objectionable in principle because by adopting this summary process any society in a union will be made helplessly dependent on the other societies in the union, and their liabilities will be interlocked in an undesirable manner. It cannot be classed either as a limited or unlimited form of liability, for even under the system of unlimited liability, the liability is enforced not summarily, but after cancellation and liquidation. The proposal is even more objectionable on practical grounds. The liability is variable, as the liability of any one society in a union is dependent on the arrears of any of the other constituent societies. This makes the liability practically unlimited, at least up to the extent of the borrowing powers of the union, minus the borrowing of the society itself; for, theoretically, we have to assume a position when all the outstandings of all societies in a union except one are in arrears. There is, in practice, a limit on the borrowings of a union, and so is there in practice on the borrowings of a primary society. This, however, does not convert the liability of the latter into a limited liability. The liability will be so onerous and uncertain that no society, which understands the nature of the liability and appreciates its responsibility, will join a union. The withdrawal of such societies will take away all moral and material advantages which the union conveys. And, finally, there is the very practical objection that the value of such liability is as nominal as that of the present guarantee. For the proposal is that the guarantee should be enforced by recovering the dues of a defaulting society by getting hold of the reserve funds of the other societies, half of which should be separately invested. Now the average proportion that the reserve funds bear to outside borrowing is low—hardly six per cent. for the whole Presidency—and the amount which can be summarily confiscated is likely to be too meagre to assist either in stimulating unions into activity or in promoting punctuality of repayments.

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The correct line of action should be to apply greater pressure by insisting on the stoppage of credits to individual societies, by the curtailment of credits, and by their entire suspension. Besides, educational effort should never be neglected. It is obvious, that if the union is to be of real value it must be given a vital stimulus. Even its financial functions, if duly exercised, are neither unreal nor too tinged with pretence to be worthily stimulating.

**Development of Unions**

But, beyond the duties enumerated in the preceding note the unions have among other functions, the supervision of societies, including check over use of loans, the securing of prompt and adequate finance, the control of Hundie business, the tapping of local capital, the conducting of enquiries into applications for extensions and long term loans, the preparation of valuation statements, the organisation of new societies, and the issue of instructions on reports of auditors and inspectors. They can also assume the functions delegated to them under the revised bye-laws as purveyors of non-credit benefits, and serve as centres of educational propaganda and of agricultural improvements. They can organise lectures and meetings, hold exhibitions, demonstrations, and shows, and arrange classes for the training of office-bearers. Even in conducting these activities, the unions will find it necessary to incur some expenditure for the common good and nominal joint liability on behalf of affiliated societies. A very rigid prohibition of this is likely to act as an obstacle, and it is worth considering what latitude should be permitted. The difficulty is increased when we approach the question of carrying on agricultural purchase and sale through the agency of unions. It appears from Departmental orders that they can only collect indents, distribute goods, and act as advisory bodies, but that they cannot undertake any financial responsibility, nor can they enter into leases or contracts or open accounts for joint expenses on behalf of affiliated societies. The withholding of such facilities render nugatory the new functions with which unions are invested under the revised bye-laws. It is no advantage to collect indents, if the indents cannot be bulked and orders for purchases placed through a central body like the union itself. Similarly, sale can be best negotiated through a central body which will obtain financial assistance, keep custody of the stock, settle the prices, lease buildings, and engage a staff. Arrangements must be devised such as will enable unions to assume the new functions in a business-like and efficient manner, or as an alternative, it will be necessary to create federations of unions which will have a guarantee fund and definite powers and duties in regard to purchase and sale.

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At the Provincial Conference of 1919, Mr. Ramnikrai N. Mehta read a paper on "Central Federations", which though dealing mainly with finance, was unfortunately referred to the Sub-Committee on Organisation and Development. The Committee suggested, and this suggestion was adopted as a resolution of the Conference, that the Registrar should obtain the views of primary societies on the proposals and take such action as he deems

**Need for Bank-  
ing Federations**

proper. The underlying idea of the proposal made last year was to develop the federations into smaller independent central banks. In almost every Province in India, it has been found necessary to have a separate central bank for all compact groups of societies, comprising, in some cases, a Taluka, in others two or three Talukas, and in a few areas less than a Taluka. It is only then that proper financial facilities can be provided, the development of agricultural trade on co-operative lines furthered, and efficient supervision of primary societies ensured. Even in this Presidency, certain generally accepted considerations have indicated the need for some change in the financial organisation. These considerations are that it is of supreme importance to provide prompt and adequate finance to rural societies, that arrangements for the provision of adequate and prompt finance are neither possible nor well-advised unless there is close and constant touch between borrowers and lenders through some agency responsible to both, and that both business-like banking and sympathetic and efficient supervision are best secured through a banking institution operating at a centre not far removed from the societies it attempts to serve and amenable to their control and influence. The need is not served by the establishment of branches of district banks, for, in the first place, such banks very naturally hesitate to open branches as they involve expenditure, which banks in the early stage of their growth cannot afford to incur. Moreover, the resources of these banks are growing, but they cannot keep pace with the growth in the number of societies and in the volume of the demand for funds, as societies, having established their position, undertake the work of land improvement and debt liquidation. The problem then is to devise some machinery, which, without unsettling the present tendencies of development, will serve as a source of help and inspiration to the existing primary societies, and tend to further their development and to stimulate the organisation of additional societies. Besides, there are tracts like the Canal Zones which are wholly financed by the Provincial Bank, and where the sums involved are so considerable and conditions are so different from those prevailing in the rest of the district that special arrangements for finance and supervision will be necessary. To start independent central banks of the mixed type is not always easy, both because there is difficulty in raising the requisite share capital immediately and in finding enough individuals unconnected with rural societies who will take interest in and devote time to the work of a bank. In the Punjab, therefore, the banks for areas smaller than a district are composed purely of societies. But the management of a regular bank is a somewhat cumbrous task, and rural co-operators inexperienced in business methods and banking administration often find it difficult to run a bank themselves. It is more or less as a transitional arrangement.

that the starting of federations is suggested. The federations act merely as responsible agents of the financing institutions for assessment of credit, distribution of loans, and acceptance of deposits, obtaining guidance and assistance in the performance of their duties from the respective financing institutions to which they are affiliated.

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The constitution of the federations, as defined in the proposed scheme, will be of a simple character. They should be composed of all unions and rural societies, in definitely demarcated areas, which are affiliated for purposes of finance and supervision to one central financing agency.

**Constitution and Functions of Federations**

The villages included should have more or less uniform needs, financial and agricultural, and possess the same market for the disposal of agricultural produce. The supreme authority, subject to the advice and guidance of the central agency, will vest in the general meeting which will be composed of members of the managing committees of all the unions and the societies affiliated to the respective federations. It will elect annually a board of management which will be divided into two committees, one for supervision and assessment of credit and the other for management and control of non-credit operations and the Hundie business. The central financing agency may reserve power to nominate two directors, representative generally of banking, trading, or administrative experience. The federations do not raise a large share capital, but their recommendations are backed by a guarantee fund, which will provide the nucleus of the share capital of the pure type of central bank which it is intended to establish in the tract after the local co-operators have obtained some experience of banking business as agents of the financing institution to which the federations affiliated. The extent to which the financing agency accepts the recommendations of federations will be regulated by the strength of the guarantee fund. Among other functions it will be the duty of the federations to organise the business of agricultural purchase and sale on commission. They will further act as agents of the financing agencies to which they are affiliated in respect of unions and societies financed by them. They will accept current accounts, savings deposits, and fixed deposits from societies, on behalf of their financing agency. Moreover, with the object of facilitating the supply and recovery of the funds and of maintaining close touch with the market for developing co-operative trade, they will carry on Hundie business. It will also be their business to assist in the organisation of new societies. Finally, meetings of members of societies will be convened by them frequently to discuss questions of common interest.

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The main sources of income will be commission earned on the purchase and sale of goods, and on **Hundies** drawn and accepted. Income will also be derived from the commission levied on the transactions of primary societies carried on with the central financing institution through the federations and the deposits received on the former's behalf. A special fund will be created for the supervision charges, and to this will be credited commission received on the turnover of primary societies. If necessary, part of the union fees should be contributed to this fund and well-paid group-supervisors engaged. A commission should be obtained from the financing institution which too should be credited to this fund. The fund will be used mainly for paying the salary of the federation supervisors, but besides this, the committee of supervision of the federations, on whose honorary supervision the success of the scheme largely depends, will be allowed to draw allowances from the fund. The difference between the income from commission and the expenses on office charges, rent, and other expenses will not be treated as divisible profits, but held as a common good fund or utilised for erecting buildings or purchasing agricultural implements for hire. As one of the main functions of the federations will be the active promotion of agricultural purchase and sale, they should have, each its own godown, collect indents for purchase and estimates of sale, maintain direct touch with the local market, keep in communication with the Provincial Bank for information about external markets, and stimulate the improvement of agriculture. For all sales or purchases arranged through the Provincial Bank, they may be allowed a rebate of the commission charged by the Bank. On local purchases and sale, they should fix their own rates of commission based on the prevailing local rates. They should issue certificates to the individual members of societies whose stock is held for sale, on the strength of which the individuals can obtain advances from their societies. They should obtain credits for goods purchased on behalf of unions and societies or held for sale at convenience. This work is to be undertaken wherever well-managed purchase and sale societies do not exist. It is only some of the cotton sale societies and a stray society here and there that have succeeded, while elsewhere there is an urgent need for organising on co-operative lines the purchase of agricultural requirements and the sale of agricultural produce. These two functions of banking and trading on commission are generally combined in India, and the same practice has much to recommend it for co-operative societies in their present stage of development, because, by such combination, management charges are reduced, unnecessary account-keeping avoided, and, what is more important, the services of the personnel available for co-operative

**Resources of  
Federations**

work are utilized to the best advantage. To summarize, by starting federations co-operators will be able to secure, in the first place, the provision of prompt finance for primary societies and the saving of loss of interest consequent in delays in transmission of funds. They can arrange for the grant of adequate finance without running the risk of over-financing. The provision of modern banking facilities can also be secured for rural co-operators on businesslike lines through an agency easily accessible to them. The federations also provide an admirable agency for the education of rural co-operators in the principles and practice of banking by the creation of an agency responsible to and controlled by them. The organisation of agricultural purchase and sale can be undertaken on economical and sound lines, and the continued development of co-operative credit, which is attempted to be governed by the growth of the resources of district banks, ensured. Moreover, federations provide, what is now lacking in the movement, a responsible and cheap agency for the efficient and continuous supervision of primary societies. And finally, by organizing federations, co-operators will secure the proper exploitation of the financial resources of the Apex Bank, as also of the capital available in small Taluka and bazaar towns and large villages.

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It is generally accepted that no loans under the Agriculturists Loans Act should be advanced to members of co-operative societies in a normal year, as it is incumbent on societies to provide them with the requisite funds to carry on their agricultural operations. Our financial organisation should be strong enough to eliminate all dependence on State loans, but that is possibly an ideal which may be realised in the distant future, and, on the other hand, agriculturists should have a claim on the State in times of distress. But as *direct* aid by the State to agriculturists who are members of agricultural co-operative credit societies saps their sense of loyalty to their co-operative organisation, all assistance made available by the State should be granted through co-operative agency. It is not enough, however, that Tagavi loans to agriculturists should be granted through primary societies. As primary societies do not stand alone, and under present conditions look up to their financing institutions for financial backing and supervision, the latter, namely, the central banks, should be made responsible for scrutinising applications, preparing statements of demands, and arranging distribution of allotments among various societies under their respective sphere of operations. Similarly, the Provincial Bank will collect statements from the central banks and obtain lump allotments for distribution in various districts. The idea underlying the

Tagavi to Mem-  
bers of Societies

suggestion is that an opportunity should be given to institutions in each grade of the co-operative organisation to meet the demands out of their own resources, as far as possible, to avoid recourse to State assistance, and to strengthen the sense of loyalty among various co-operative institutions. This will prevent the excessive borrowing to which the existing procedure for disposal of applications for Tagavi loans gives rise. Revenue authorities do not know what funds an applicant society will obtain from central banks and the latter are unaware of the exact extent to which members of co-operative societies will draw loans from Government. Our organisation, however, should be made much more efficient than it is at present, so that there need not be any unnecessary delays in formulating demands and distributing grants. The system of Tagavi advances on the recommendation and guarantee of the primary societies might be abandoned. It is doubtful if it is legally within the competence of a society to undertake such guarantee, and, if so, what is the legal effect of such guarantee. If the system of loans through the Provincial and central banks is introduced, it would be desirable to make it clear who undertakes the primary liability and against whom action is possible under the Land Revenue Code.

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The most important problem that faces co-operators in considering the effect of famines on co-operative credit societies is the recovery of loans. Repayment in rural societies is wholly dependent on the out-turn of crops and if the crops are a failure, repayments will obviously suffer. It is no good insisting on repayment when the income of members is seriously affected by the adverse seasonal conditions, and loans have to be carried only for repayment at the next good harvest. At the same time, wholesale extensions ought not to be granted, and the case of each member in a society will have to be considered separately. Interest must, except for very strong reasons, be collected. As a general rule, it will be desirable for the central bank, after such enquiry as it thinks fit to hold, to grant extensions for the whole or a portion of its dues when a society itself has granted extensions to its members, but the society may not have granted wholesale extensions, and, similarly, the central bank can call up a portion of the principal. This need not be the whole of the amount the society expects to recover, for the society may have a large portion of its owned capital lent out or may have outside depositors who have to be repaid. Extensions by the bank may then have to be proportionate to the portion of the capital contributed by it. Further, a society may not be entitled to extensions owing to its bad record or slack management or owing to its having had the same instalment extended over and over again.

**Extensions of  
Loans during Fa-  
mines**



As all these factors have to be taken into consideration, the society should prepare its own case and grant such extensions as are justified by the character of the season and the previous record of the individual members. It should then submit the figures to its central bank, invite an enquiry, and apply for such extension as will enable it to carry on its business without the risk of falling into arrears with the bank or with depositors. Extensions beyond the period of one year may be necessary in some cases. Those dealing with rural finance have however, to take into account "the agricultural cycle", particularly in non-irrigated zones, and may have to wait for three to four years before getting back loans once advanced. On the contrary, by making loans originally advanced for agricultural expenses recoverable in fixed instalments spread over two or three years, co-operative societies and banks will be unable to take advantage of favourable seasons when these occur and to realise the overdues of a bad season out of a good harvest. For, if the instalments are once fixed, there is no obligation on members to repay more than the fixed instalments even if they can afford to do so. Generally, therefore, it would be advisable to adhere to the present practice of granting an extension for a year, and waiting till the season has declared itself before examining the need for granting further extensions. If instalments are allowed from the start, and in bad seasons these are again extended, it will be years before a loan for ordinary agricultural expenses can repay itself. It will be useful to consult the local revenue authorities before granting extensions to societies, for that will enable officers making enquiries on behalf of central banks to ascertain roughly the estimated value of the village crops. No *annawari* valuation, however, need be laid down as a basis for the grant of extensions. Banking, unlike administration, must be inelastic in its policy, and the prescribing of standard rules may do more harm than good. The only policy is not to make any inconsiderate demand for repayment, nor to grant concessions which may lead to relaxation of effort in the collection of dues.

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It is obvious that, as in good years, so in bad years, there should be

neither overlapping of finance, nor excessive finance, nor inadequate finance. A society, with whatever assistance it can command from its central bank, should try *itself* to meet all the legitimate demands of members, and recourse

**Future of Societies in Famine Zones**

should be had to Government for loans under the Tagavi system only as a final resort. It is often not examined at present what funds the society can supply out of its own or borrowed resources. Again, applications from societies should not be disposed of without reference to central banks and the central banks, too, on receipt of such applications, should ascertain whether the demands could not be satisfied out of their own or borrowed

funds. The next point for consideration is the objects for which loans should be granted by societies during famines. Loans should be granted mainly for the cultivation of irrigated crops, land improvement, and the construction of wells in the earlier part of the season. The purchase of fodder too may form one of the approved objects. Loans may also be advanced to finance schemes of productive works, such as construction of embankments or small irrigation channels, drains, or ponds, or the installation of pumping plants or engines on river-beds. Societies should also be encouraged to interest themselves actively in the promotion of secondary industries, and loans might be made for the introduction of spinning wheels and similar handicrafts. If the whole question of the place of co-operation in the war against famine is to be considered, it would also be worth while to examine the possibility of devising some scheme of unemployment relief or insurance to be controlled by societies. Contributions to this fund may be made by members in fair seasons and loans for maintenance made out of it in bad years, according to the repaying capacity of individuals, such advances to be repayable at the next season. It is interesting to find that a co-operative famine insurance fund on the lines suggested has been started in Hyderabad. Adequate and prompt supply of funds, as well as assistance in kind, should be made available through societies at the close of the famine to enable agriculturists to commence operations for the new crop. In some districts, the position of primary societies has after the recurring famines of the past few years become very serious. The reasons are a succession of bad seasons and the formation of societies among debt-ridden and uneconomic cultivators, without making any special effort to increase their earning capacity and to grant them relief through productive works in the years of famine. It will have to be decided soon how many societies are worth continuing. Where such conditions prevail, systematic inquiry will have to be undertaken and definite action taken to "mend" such of the societies as are not to be "ended". Uneconomic cultivators who have defaulted year after year will have to be weeded out, and great care will have to be exercised in the admission of new members. It would be too much to prescribe that only *substantial landholders* should be admitted, but care should be taken to exclude persons known as being uneconomic landholders. The co-operative society is more needed by small cultivators rather than by substantial landholders, and the former, therefore, cannot be excluded unless those seeking admission are recalcitrant, debt-ridden, inefficient agriculturists. All societies should start with a nucleus of intelligent local men. On the other hand, it is in the backward villages that the relief afforded by co-operative credit is most needed. Similarly, from the standpoint of financing agencies, the formation of societies in villages under canals or commanding a good

area under well irrigation is all to be commended. But, has not the agriculturist in dry zones, liable to frequent famines, a claim on workers in the cause of co-operation, and has co-operative credit no solution to offer for their difficulties? To admit this would be a confession of the failure of co-operation in India. The true reply to this poser is that co-operators have not yet conceived any policy of development which would envisage various problems of rural economics. Co-operative societies working through local unions and federations controlled by themselves are better fitted to initiate such schemes than any outside agency, and it should be our aim actively to foster such development work. Unless this is done, the co-operative movement will always be bound by a vicious circle, and isolated action taken to obtain an outlet will involve dangers worse than the evils sought to be remedied, with the result that rural stagnation which co-operative credit set out to cure will continue to reign as before.

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Presiding at the Second Annual Meeting of the Provincial Board of Agriculture, the Hon. Mr. Chunilal Mehta defined as the objective of agricultural policy in the Presidency the increase of the annual produce by about 15 per cent. in five years' time. It is interesting to observe from the proceedings of the Conference how far progress is possible in this direction. Dr. Mann's note to Board on the technical results arrived at by the Agricultural Department showed that important investigations had been carried out and definite results obtained for increasing the yield and quality of crops like cotton, sugar-cane, potatoes and rice, experiments had been carried on to develop fruit cultivation, the improvement of the chief breeds of cattle had been taken in hand, suitable implements and agricultural machinery had been devised and tried, and boring plants successfully introduced at various centres. The supply of pure seed and the maintenance of folder reserves had also been undertaken by the Department, and a sound system of agricultural education organized. And yet, despite these systematic efforts it would be rash to assert that the economic condition of the average cultivator has substantially improved as a result of the operations of the Agricultural Department. In fact, in numerous parts of the Presidency the propaganda carried on has not yet reached the ordinary agriculturist. Dr. Mann, in a very interesting note read before the Board, admitted the defects of the methods of propaganda hitherto pursued by his Department. Local conditions have often not been studied as closely as they should have been, nor has proper advantage been taken of existing local organizations, with the result that cultivators are apt to consider the valuable suggestions made to them as orders

from outside. Moreover, work has been undertaken in areas wider than the staff in charge could deal with satisfactorily, and has not been continued long enough really to influence the minds of a naturally cautious class of persons.

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Dr. Mann suggested that in future the propaganda should be intensive and confined to limited areas, and should be conducted invariably under the guidance of persons of local influence intimately connected with rural life. He approved of the abandonment of the existing system of central demonstration farms, and proposed that demonstrations should be carried on wherever possible on the lands of cultivators themselves worked under ordinary conditions. The Board adopted these proposals and approved of the idea that co-operative societies and guaranteeing unions should be utilized for propagating the improved methods of cultivation recommended by the Agricultural Department. On the suggestion of Mr. Rothfeld, the Board approved of the need for carrying on an extensive propaganda in Gujerat for the introduction of the system of cattle insurance on co-operative lines, and accepted the necessity of initiating some scheme of reinsurance. Other subjects dealt with were the development of the work of boring for water for agricultural purposes, and the preparation of a systematic plan of famine relief to be adopted by the Agricultural Department. The latter was based on a series of resolutions adopted in 1919 at the Board of Agriculture in India. These related to matters like the investigation into and the utilization of fodder materials, the investigation of methods of moisture conservation, the development of strains of crops capable of growing under conditions of minimum rainfall, the survey of river beds and other sources of water to be utilized in seasons of draught, and the examination of possibilities of regulating the run-off of water, the checking of erosion by protective embankments, combined with afforestation of parts of tracts liable to recurring famines. A proposal was submitted to the Board recommending the creation of a central board to co-ordinate the activities of the Departments of Agriculture and Co-operation and to control the grant of loans by Government to agricultural societies and of allotments for agricultural propaganda. The Board of Agriculture approved of the proposal and also decided to vest in the joint board the control of departmental policy. It appears, however, from a statement made at the Co-operative Conference by the Minister in charge of the two Departments that the proposal had been modified and that divisional boards will be created for each linguistic division in the Presidency. If the proposed boards are to deal with questions of administrative policy and afford assistance in actual official and departmental work, co-operators will undoubtedly wel-

come the departure. But if in any respect the boards are intended to control the policy of the co-operative movement in the different divisions of the Presidency, co-operators will certainly object on the ground that the control of the policy of their movement vests in their representative body, namely, the Central Institute and its Branches. They do not wish to see another body interposed between themselves and the Co-operative Department, as the creation of such an agency will have the effect of delaying the transfer of functions and powers from the Registrar to an organization controlled by and responsible to themselves.

In a recent issue of "the Madras Bulletin of Co-operation", Mr. E. V. Sundara Reddi discusses the important problem of the consolidation of agricultural holdings in India. Government as well as Indian economists and publicists have on various occasions had their attention directed to the disadvantages arising out of the minute sub-division and the excessive fragmentation of lands. The growth of the evil is due partly to the effect of the working of the Hindu and Mahomedan laws of inheritance, and partly to the practices in vogue in regard to the division of immoveable property at the time of partition. Although public attention has been directed towards these evils which make efficient agriculture an impossibility, nothing material has been done to check these, and sub-division and fragmentation go on unchecked. Two distinct disadvantages follow as a consequence. Excessive fragmentation prevents the adoption of agricultural improvements, and, secondly, the increase in the field boundaries increase the number of disputes and litigation. If the present system is altered, Mr. Reddi states in the course of his article, agricultural products will increase by 50 per cent. A similar position in some European countries evoked legislation with beneficial results to the land-holders. In India too several attempts have been made to introduce legislation. Mr. Keatinge's proposal to introduce legislation of a permissive character, enabling the owners of estates to constitute them into impartible ones with the consent of the heirs, failed for want of public support. It was felt that without excluding such areas from the operation of the Hindu law it would be difficult to secure any permanent effect. The Madras Government also, though constantly approached did not approve of the adoption of any legislation, though they instructed the officers charged with the making of assignment of the lands to take into consideration the desirability of creating economic holdings. Most authorities, however, agree that in the initial stages some action of a drastic nature is necessary, and Mr. Reddi's suggestion is that the Government of Madras should appoint a committee which would formulate definite proposals.

**Consolidation  
of Agricultural  
Holdings**

Undoubtedly, when any change in social practice or legal procedure is introduced some opposition is inevitable, but if agriculturists are educated into the evils of sub-division and fragmentation and made fully acquainted with the essentials of the measures intended to secure the reconstitution of the holdings action on the part of the State will be welcomed. Baroda has already led the way by appointing a committee of enquiry which has advocated the reconstitution of the holdings on the basis of original ownership and the introduction of legislation of a permissive nature.

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What co-operation can do in this direction is a question on which much difference of opinion exists. Mr. Reddi believes that **Influence of Co-operation** it is only as educative agencies that co-operative societies will be of any real use, for he argues that the panchayat of a village society can hardly prevent sub-division of the lands by the exercise of its influence and by persuasion when there is a division of property in the village. In one province in India, at least, co-operation has rendered more effective help than is suggested by Mr. Reddi. Co-operative societies for the consolidation of holdings have been organized in the Punjab, and according to the latest report of the Registrar of Co-operative Societies these have been a distinct success. Their organization was preceded by much preaching and persuasion. In villages where the societies are at work the number of fields has decreased, the yield has increased, and, above all, the number of disputes and litigation have decreased. There has been a reduction in field boundaries, and owing to the reduction in the number of disputes agriculturists have found it possible to devote greater time to the pursuit of other, economically useful occupations. The potentialities of this move are obviously enormous, based as the societies are on the recognition by their constituents of the advantages of securing consolidation of holdings. The Registrar of Madras suggests the issue of joint loans by co-operative societies for the improvement of consolidated holdings before they are re-allotted, and in some cases the purchase by societies of encumbered estates to be divided into economic holdings before being reallocated to members. But to support all such useful efforts and to make effective the influence of the educational propaganda it will be necessary to initiate some legislation of a permissive character rendering further fragmentation and sub-division impossible. It is only then that the other factors will come into play, and the diffusion of education, the promotion of scientific agriculture, the adoption of schemes of village remodelling, and the development of subsidiary industries, all combined, can substantially revive village life and add to its wealth and happiness.

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The article by Mr. D. A. Shah, "on Small Scale Industries and what co-operation can do for them," published in a recent number of the "Hindustan Review" merits more than ordinary attention. After drawing attention to the influence of Western industrialism upon the individual and society in India in bringing about a marked physical and moral deterioration, Mr. Shah discusses the possibility of developing our economic strength by the organisation of small-scale industries, otherwise called cottage industries. The development of handicrafts has a twofold importance in India. The crafts and trades serve as secondary industries during the months of leisure for agriculturists. Secondly, the diversity of industry they introduce help to minimise the effects of famines. Systematic organisation on co-operative lines alone can enable small industries to stand competition with large-scale industries by overcoming the disadvantages from which the individual artisan suffers. These disadvantages are want of knowledge, want of capital, and want of business methods. Co-operative credit and co-operative purchase and sale with a well-developed system of centralisation will remedy the last two defects. The first will be solved partly by the grant of State aid, and partly by the creation of a central federation of industrial co-operative societies. The use of motive power and the introduction of electricity will help the small man to compete with large-scale undertakings in various fields of industrial activity. In their anxiety to improve and develop Indian industries on modern lines, public men are apt to overlook the claim of small-scale industries. This danger has been partially removed, thanks to the influence of Mr. Gandhi, but the revival and reorganization of small and secondary industries cannot depend entirely on popular enthusiasm and on the financial support of philanthropists. The present is the psychological moment for strengthening the handicraftsman, the artisan, the cottage spinner, and the handloom weaver, by organizing them co-operatively in syndicates of producers. The present trend of public feeling has assured a market for the products of small industries, and it remains for co-operative organization to ensure financial soundness and permanence.

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Rao Bahadur Dr. Gopal Chandra Chatterjee contributes to the May issue of "the Bengal, Bihar and Orissa Co-operative Journal" an interesting article on "Self-help and Village Sanitation". After describing the causes of malaria and its ravages in Bengal, Dr. Chatterjee gives an account of the organisation and work of the central co-operative malaria societies. This central society has a number of village societies attached to it. These village societies do the anti-malarial work which consists in cutting jungles,

Revival of  
Secondary In-  
dustries

Self-Help and  
Village Sanita-  
tion

filling cess-pools and distributing quinine. Each society tries to maintain a doctor on the subsidy system. The central society consists of sympathetic and well-to-do members. Besides making monthly contributions to the local societies, it lends them money for bigger works. The writer is very hopeful about the potentialities of the scheme which is intended to improve the health of the people on the basis of self-help.

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The Central Union for the Consumers' Co-operative Societies in Czecho-Slovakia according to the latest figures comprised 1,102 societies in 1920. The membership of these societies amounted to 600,000 members, and the value of the business done by them amounted to 750 millions of crowns. At a normal exchange this would mean 13 millions sterling, but at the present value of exchange it is, of course, under one million sterling. The affiliated societies were not all apparently consumers' societies. 172 producers' societies, 179 housing societies, 58 societies for workmen's dwellings, and 183 agricultural societies for joint cultivation appear to have been included. In the country as a whole the Producers' Movement seems to have gained considerable strength. The following figures show some of the classes of industry to which the Producers' Movement has successfully spread. In the same year, 1920, there were in Czecho-Slovakia 14 bakeries, 21 shoemakers' societies, 13 tailors' societies, 6 weavers' societies, 3 hatters' societies, 2 tanneries, 5 metal factories, a factory for nails, another factory for tin, an ammunitions work, and an electrical work. There were also 14 carpenters' societies, 11 builders' societies, 4 masons' societies, 4 printers' societies, and 5 theatres or cinematographs. The extent to which the Producers' Movement has spread in a very short time in Bohemia, the country now known as Czecho-Slovakia, ought to be encouraging to those who in this Presidency are labouring for the spread of this very interesting and promising branch of industrial co-operation.

### CORRESPONDENCE

To the Editor of "the Bombay Co-operative Quarterly."

Sir,—With regard to your first editorial note in the last issue of the Quarterly on "Co-operation in Bombay", do you think that you are altogether fair to my attitude about guaranteeing unions and to the attitude of Government in respect to them? Personally, I have no desire to stop guaranteeing unions, and I think if they are run properly they will be of great value for purposes of supervision. But, surely, one of the difficulties is that practically none of our guaranteeing unions have so far rendered help. They have done mighty little supervision and have chiefly been used in order to increase the amount of borrowed money obtained by the societies which form them.



Moreover, as I think you yourself agree, they have, really speaking, under our rules no financial liabilities of any real kind, and I think you agree with me that failing such financial liability and failing their getting any other vital interest instead, they could not be expected to do their supervision properly. It is perhaps true that you think I might have done more to get new unions organized this year than I have, but I think you will also agree with me that there was not much need for organizing new unions still we got the old ones working properly. Really speaking, the difference of opinion arises or has arisen not in regard to guaranteeing unions themselves, but in regard to their relations to district banks. I have, of course, held that the guaranteeing unions should be like every other society in direct relations to the district banks and be financed by them whenever possible, and I have held and do hold that it is undesirable to let the guaranteeing unions spring up too rapidly in advance of the district banks' capacities; and out of the two I consider the district bank more important than the guaranteeing union, mainly because the one has a very real financial liability and financial interest and the other has only a sham liability and a nominal interest. But I have no intention of abandoning guaranteeing unions or of ceasing to have them organized. On the contrary, I am anxious to have them, and I want to have them revitalized by giving them other functions in regard to purchase and sale, as now are provided for in the new rules, and in fact by making them in every sense really life-giving, educative and organizing institutions like the French Syndicate Agricoles. I should be very thankful to you if you could in the next issue of the Quarterly incorporate these views of mine, which I believe are the policy accepted by Government and which seem to me to be not a modification so much as a development of the former policy of the Department and a development based on results of actual experience. We have had the experience of guaranteeing unions run in the way in which your note suggests you still would like them to be run, and the experience amply showed that they were not successful. On the other hand, experience also showed that the district banks were capable of further strengthening and further development. I cannot see there has been anything inconsistent in the attitude of Government in learning from experience, and I think you yourself would probably be the first to maintain that any Government which failed to learn from experience was irresponsible to fact and reality. As I said before I should be very thankful if you kindly give expression to these views in next number, although of course I do not in any way deprecate any further criticism that you might think it necessary to make on those views. But I do not think it altogether fair to be accused of discouraging the guaranteeing union or of depreciating their usefulness, though I am perfectly ready to have them and wish to encourage them. But I shall encourage them only in due relation to their own proper financial agencies.

Yours, etc.

OTTO ROTHFELD

# INSURANCE AND THRIFT IN FRANCE

## *Contributed*

Naturally every industry in France suffered during the Great War. Agriculture probably suffered most. In the areas occupied by the armies and round about, it was obviously impossible for agriculture to be carried on, but in areas other than these, the War had disorganized agriculture. This state of things cannot be favourable either to the maintenance or the extension of co-operative insurance institutions. And yet we find in 1919 about 14,400 societies instead of a total number of 11,687 which were in existence in 1912. It must be remembered that during the war-time, the legislature could pay little attention to agriculture, and, consequently, instead of the usual subsidies of 1,540,000 francs only 500,000 francs were granted.

	Rs.
Societies for insurance against mortality of live-stock ...	10,071
„ „ reinsurance against mortality of live-stock ..	76
„ „ insurance against risk of fire in agriculture ...	4,124
„ „ reinsurance against risk of fire in agriculture ...	35
„ „ insurance against hail ...	28
„ „ insurance against accidents in agricultural labour ...	65
„ „ reinsurance against accidents in agricultural labour ...	1
	<hr/> 14,400

Among mutual insurance societies which have received subsidies, the most numerous are those against mortality of live-stock, they numbered 10,071.

A table given below shows the progress since 1897 of assisted mutual insurance societies for cattle:—

Year	Number of societies	Number of members	Value of capital
			Francs
1897	1,469	87,072	59,168,334
1907	6,982	389,478	417,477,023
1914	9,971	503,723	628,974,520
1919	10,071	503,056	649,179,705

Next in importance are re-insurance societies the progress of which is shown in the following table:—

Year	Number of re-insured	Number of affiliated societies	Value of capital re-insured
			Francs
1901	6	106	4,581,770
1906	29	1,373	61,863,075
1910	58	3,055	153,900,785
1916	75	3,250	147,240,000
1919	75	2,887	183,414,346

Mutual fire insurance societies come in order of importance immediately after those for live-stock.

In these societies the members are divided into two classes. First, effective-members actually insuring capital. Next, a large number of agriculturists connected with insurance societies as expectant members awaiting the expiration of their policies and stating the amount of capital which they would have to insure. These distinctions appear in the following table which shows the progress of the subsidized mutual agricultural fire insurance societies :—

Year	Number of societies	Number of members		Value of capital	
		—	Effective and expectant	—	Insured and to be insured
					Francs.
1902 ...	5	...	534		3,652,116
1904 ...	111	...	5,930		42,403,730
1906 ...	740	...	28,091		239,137,850
		Effective	Expectant	Insured	To be insured
1907 ...	1,208	29,218	19,795	254,755,365	243,496,815
1911 ...	2,662	68,900	43,840	693,487,785	591,012,650
1915 ...	4,039	99,435	54,314	1,127,594,125	701,462,573
1919 ...	4,123	100,341	54,800	1,136,442,239	711,818,82

Re-insurance was carried on by 35 departmental or original societies which comprise 3,695 affiliated societies. Nearly all the re-insurance societies are themselves re-insured in one of the two central societies.

Mutual insurance against hail is by no means so widely developed as mutual insurance against mortality of cattle or against fire. The table given below shows how it has progressed :—

Year				Number of societies	Number of members	Capital insured crop
1898	...	...	...	12	16,812	8,499,456
1900	...	...	...	16	28,760	13,841,656
1905	...	...	...	22	33,963	19,299,800
1910	...	...	...	25	44,677	28,159,854
1915	...	...	...	28	37,780	31,524,892
1919	...	...	...	28	37,780	31,524,892

It remains to say something about societies for mutual insurance against accidents in agricultural labour. These societies numbered 66, of which 65 were local, with 6,790 members, and one was an original reinsurance society. Societies for insurance against accidents in agricultural labour confine themselves to insuring agriculturists against civil liabilities.

THE  
BOMBAY CO-OPERATIVE QUARTERLY  
DECEMBER 1921

LUIGI LUZZATTI

To co-operators in India, and indeed in most countries, Luzzatti's name is almost a household word. A brief account of him as he is to-day may, therefore, be of interest. I had the privilege of meeting him recently in Rome, where not so very long ago he ruled as Prime Minister. But this is not his chief title to fame. Fifty-six years ago, inspired by the great Schulze of Delitsch, he brought the seed of co-operation across the Alps and started the first co-operative society in Italy. This was the Banca Popolare or People's Bank of Milan. There are now 15,000 co-operative societies of all kinds in the Peninsula, and in Northern and Central Italy there is hardly a town without its people's bank. The Bank at Milan, as it was the first, is now the largest and has a membership of over 26,000. The bank at Novara thirty miles away has 48 branches and agencies scattered over a tract of country extending from Milan to Turin. Last year it had deposits of over £3 millions.\* So large an organization naturally has its defects, but on the whole the founder can look upon his work and see that it is good.

Though Luigi Luzzatti has lately kept his eightieth birthday, he is still a force in the world of affairs. As a member of the Senate, he takes an active part in the political questions of the hour, and it was a sudden demand for his presence in debate that forced him to cancel the first appointment he gave me. With his massive head, hooked nose, large ears, strong nervous hands and white-pointed beard, he instantly recalled, as he came slowly towards me, one of the old Rabbis immortalized by Rembrandt, and the black skull cap on his head only made the resemblance more striking. His brown, almost grey eyes are still clear, and he has the deep sonorous voice of the popular preacher. The whole time indeed that I was with him he preached, and as with the preacher interpolations were difficult. He talked without stopping, at

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\* 240 Million Lire.

first in slow broken English, then in his native tongue with all the fluency of his race.

The first ten minutes he talked of a mission sent to Italy, he said, twenty-five years ago by the Indian Government, and then of the American Commission which came more recently. He gave me a copy of the excellent English address of welcome that as Minister of the Treasury he read to the Commission, and now re-read to me with as much deliberation and expression as if I were myself a Commission. One passage is worth quoting, as it is so appropriate to India.

"The rural bank which arose without capital, rich only in its invisible treasure of mutual trust and human solidarity, is the fruit of the modest, unrecognised virtues of the country-folk, bound together by bonds of mutual affection, who assist and watch over each other with the subtle vigilance of neighbours. And these humble folk, void of economic lore, have accomplished a miracle, due to the fact that a moral and not a material impulse guided their work, the miracle of creating capital out of nothing. They have succeeded in coining their simple good faith and their honour, and in transforming into concrete credit, so rebellious to all idealistic considerations, promises of payment guaranteed by their obscure immortal souls."

As he continued reading, his rich voice rose and fell in cadences that would have delighted a student of elocution, but were a little tantalizing to a student of co-operation who had come to ask him a hundred questions. When at last, in a pause to take breath, he observed that the English Government should send another Commission to study present conditions, my official mentor broke in with the remark that I had come to Italy for this very purpose, and he mentioned incidentally that Luzzatti's fame had spread all over India, a touch that was appreciated. But, said His Excellency, (he is one of the few ex-ministers in Italy allowed to use this title): "you have come at a horrible moment for Italy." He was doubtless thinking of the agrarian and industrial disorders that have kept half the peninsula in a state of ferment since the war ended, but a little later looking beyond his own country he began to draw a vivid picture of the Russian menace to both East and West. It was with some difficulty that he was recalled from this engrossing theme to the less exciting but more immediately interesting topic of co-operation in Italy. He thought that it was a curse to Italy that co-operation was so mixed up with politics, socialist divided against Catholic, and both against liberal or neutral. Co-operation, he said, should have nothing to do with the State. It was true that he had founded a semi-official apex bank, the all important "Istituto Nazionale",

which now, mainly with public money, finances half the societies in the country ; but that was somehow different, for Government took a limited share in the enterprize for which it got a definite return. On the other hand, to scatter money about, as was being done at present, was wholly bad. This was the most interesting thing he said about co-operation. For the moment, the latter seemed to occupy his mind less than questions of world politics, and with the few pertinent reflexions upon modern India the interview closed. In a sense, I have never heard less impressive talk from a more impressive personality. It is this personality that matters and that has made its mark in the world. The vigour and variety of his interests were sufficiently attested by the congestion of his rooms. Papers, pamphlets, reports, blue-books, magazines, books bound and unbound, were strewn about with a profusion of a record room in which nothing yet has been recorded, and suggested an insatiable appetite for knowledge. In politics, he has more than played his part and has been Postmaster-General, Minister of Education, and Minister of Finance. He has presided too over the Treasury, and finally for a brief space ten years ago he became Prime Minister ; but it is as the apostle of co-operation in Italy that he will be known to posterity.

MALCOLM DARLING

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## WEAVERS' CO-OPERATIVE SOCIETIES IN THE PUNJAB

With the present attempt at the boycott of foreign cloth and the probable revival of the old hand-loom industry, it looks as if the village weaver is likely, at any rate for a time, to come into his own again, provided that he is able to defend himself against the forces which in his own country have worked and still are working constantly against him, and which exact from him a heavy toll at every stage from the purchase of the raw material up to the marketing of the finished goods. In order to understand the operation of these forces, and the manner in which they effectively throttle the industry, one has to consider the ordinary work-a-day life of the hand-loom weaver. He works either in the factory of a small capitalist, or as an independent artisan in his own home. From the point of view of the weaver himself, there is little to be said in favour of the small capitalistic factory. With no organisation at his back and no bargaining power, he seldom receives more than a bare living wage, tends to lose all feelings of honourable pride in his craft, and is likely to have little incentive towards self-development or improvement of his economic conditions. He becomes a mere wage-earner, working without any enthusiasm or imagination. On the other

hand, as an independent artisan he has little or no credit behind him, and again finds himself in the hands of the capitalist. In the first place, he has to buy his raw material on credit from the latter—in other words he makes his purchases in the dearest market. When it comes to disposing of his finished goods he has to sell them in the cheapest market to his creditor, at a price fixed by the latter. A heavy toll is levied on each occasion, and he finds it difficult to eke out even a bare livelihood. Again, the village weaver is, as a rule, uneducated. He has no means of informing himself as to the conditions of the trade, the fluctuations of the yarn market, the changing fashions, and the latest improvements in the implements of his craft. Marketing is an art of the intricacies of which he knows and suspects nothing. He has no incentive to work hard or to take any trouble, and he struggles along, perplexed and helpless, the serf of the capitalist, till finally, abandoning his hereditary craft, he is either forced on to the soil, or goes to swell the ranks of the proletariat in the city or town. It may be doubtful whether the hand-loom weaver, plying his trade in his little hut, can ever hope to hold his own against the small entrepreneur, or the large-scale factory owner with his up-to-date labour-saving machinery; but the effort seems well worth while. What is certain is that it is only by co-operation that the effort is likely to be successful. The basis of co-operation is a common need. If many people want the same thing, they are more likely to attain it by working together and helping one another. What the weaver wants, in the first instance, is cheap credit, and good credit, and like other poor men he can only obtain it by co-operation. By means of co-operative credit, relieved of the incubus of the capitalist, he will be free to buy his raw material in the cheapest market, and to dispose of his finished goods in the dearest. In the next place, he wants education, and here too co-operation will assist him, both directly and indirectly, as it has done in other countries. By taking his part in the deliberations and decisions of his society his wits will be sharpened. He will learn something about standardisation, buying and selling, and the fixation of prices. He will become less conservative, and more receptive to new ideas and methods. His public spirit will be awakened, and he will begin to believe that his future rests in his own hands more than he had imagined; that he can hope by combining with his fellows to work out his economic freedom. He will begin to ask for elementary education, and some technical training, for himself and for his children. He will be curious to learn something about newer methods and labour-saving appliances. If the market for his Khaddar or Dasuti or Ghalum is not favourable, he will think of producing more refined and readily marketable goods. In the Punjab,

some of the village weavers, mostly of the Jullundur and Hoshiarpur districts, made a start on these lines some six or seven years ago, and had already made considerable progress. They have formed some 57 societies, which are guided and controlled by three unions. There is also a central institution called the Weavers' Central Co-operative Stores Limited, which is located in Amritsar. Naturally, the societies have encountered a lot of opposition from the capitalists, whilst latterly in some cases even the village proprietors have resented their success. Being ignorant and inexperienced, too, they have not always been fortunate in their yarn dealings. Whilst they are only beginning painfully to learn the rudiments of good marketing, still they *are* learning and progressing. Their capital is partly contributed by the members themselves in the form of small shares, while all the profits are placed to reserve. The share capital now amounts to some Rs. 11,000, and the undistributed profits exceed Rs. 15,000. Local deposits too are sometimes secured from members or from well-wishers; but the bulk of the working capital is still borrowed from the Central Stores. Share capital, however, is being steadily built up, and in some of the societies members have decided to continue annual share contributions for a period of ten years; in others a system of compulsory deposits is being introduced. Advances by the stores to the societies are almost always in kind, though occasionally for good reasons cash advances are given for the purpose of local purchases. The Stores has a working capital of about Rs. 1½ lakhs, most of which is on loan from central co-operative banks, the directors of which have always shown the greatest sympathy with the movement to uplift the weavers. The Government, too, has advanced a loan at a moderate rate of interest, while the balance of about Rs. 16,000 is made up by share contributions and deposits from the societies and by the reserve to which all the profits are placed. The share money is being paid by the annual instalments, and there is not likely to be any distribution of profits for ten years; so the owned capital of the stores should steadily increase. Registered Weavers' Co-operative societies may be admitted to membership of the Stores, after election by the managing committee, subject to the confirmation of the general meeting. The Registrar or a Deputy or Assistant Registrar generally or specially nominated by him is also eligible for membership. The latter is ex-officio president and a member of the committee, the remaining five members being elected annually at the general meeting. At present, all the members of the managing committee, with the exception of the president, are weavers, and it is hoped that the stores will soon be able to have a non-official president. The manager is appointed and paid by Government, and works under the direction of



the Committee. Urgent and routine business is disposed of by him either independently, or in consultation with the president; but on all important matters the action taken is subsequently laid before the Committee for approval. The latter take a keen interest in the working, and are not slow to criticise the manager's action when dissatisfied with it. In addition to the manager, there is an assistant manager who is paid by the Stores; and there is a proposal under consideration to appoint an educated weaver as a travelling agent to bring the weavers' products to the notice of Government departments, business firms, and the general public, and to canvass for orders. Recently, exhibitions of cloth at the Lyallpur Fair, at the Dalhousie Club, and at conferences showed that people are prepared to take an interest in the work, and to place orders.

The 'field' staff consists of an industrial inspector, three sub-inspectors, and three supervisors—all paid by Government. With two exceptions, these are weavers. A weaver B. Sc. is now in training as a candidate inspector. The sub-inspectors do propaganda and teaching work, and audit and check the societies' accounts. The supervisors keep the accounts of the Unions, and the shops attached to them; they also help the societies which have not got literate secretaries. Most of the societies are of cotton weavers, who prepare Khaddar, Dasuti, Ghabrun, and Susi. There are two societies of Duni weavers in Sialkot city whose bed Dunies are widely popular, and are often purchased in large quantities by Government for the Army. In Jullundar city there are two societies of silk-weavers, and other societies of silk weavers are at Multan (three) and Pind Dadankhan (one). Some of the silk produced is of fine workmanship and in excellent taste, and finds a ready market.

Mention has been made of some of the difficulties felt by the societies, owing to the ignorance and inexperience of their members. The Stores too has its own difficulties to face. Societies are often dissatisfied with the rates quoted for yarn—especially if the village shopkeeper is cunning enough to quote lower rates, as he sometimes does! They often demand prices for their finished goods which the Amritsar market will not pay. The silk societies want mercerised yarn from Bombay, or raw silk from Kashmir, and cannot understand why there should be delay about getting it—the local dealer has it, but refuses to supply it to the society except at exorbitant prices. Some societies only ask the Stores to help them when their local market is dull—unfortunately the Amritsar market is apt to be dull then too! Societies too are sometimes exasperatingly unbusiness-like, painfully slow in executing orders, and repeatedly ignoring the manager's directions.

It is a significant fact that almost all the weavers applying for admission to the weaving schools recently opened by the Director of Industries are members of the societies. Still more significant is the starting here and there of night schools by the weavers, in which reading, writing, and elementary arithmetic are being taught. The teachers are in some cases literate weavers and all are working without remuneration. Thus, indications of the awakening of a real public spirit are clearly seen. What is now wanted to speed on the movement is more encouragement, advice, and assistance from public-spirited and educated non-officials, for the scope of usefulness of an official department is limited.

W. W. POWELL

### CO-OPERATIVE LABOUR IN KASHMIR

The labour society is a type which has assumed great importance in the co-operative development of certain European countries: most notably in Italy such societies have increased in number during the last decade, and their national value and status have been recognized by successive Italian Governments. India offers scattered examples, but owing to the pre-occupation of co-operators with the problem of credit, and the prevailing reluctance of those who possess money, whether Government departments or private persons, to entrust it to illiterate men, sometimes having no fixed home, a due share of attention has not yet been given to the possibility of social and economic improvement through the substitution of organized labour for the individual contractor.

A group of societies for labourers formed under the patronage of the State Forest Department of Kashmir by L. Parmeshwari Das, Assistant Registrar of Co-operative Societies, has now completed one year's working. The extraction of timber from the forests of the Kamraj Division in Uttarmachipura Tahsil, and the transport of scantlings and sleepers by road and river to the towns had hitherto been carried on by contractors, great and small, some of whom were as remarkable for the scamped and inefficient work as for the extravagance of their rates. Kashmir being a secluded and remote region, it was not easy for competitors from the Punjab or other provinces to embark on contract work in a land of different customs and foreign speech. The Forest Department, therefore, in its own interest was ready to welcome the proposals of the manual workers. In this direction, the State of Kashmir has given a lead to Indian co-operators which they should not neglect to follow.

In August 1921 were registered ten co-operative societies for sawyers, and one union; the number of affiliated societies has subsequently risen to 22. A society consists usually of twenty members, that

is ten "pairs" of sawyers, and each member pays Re. 1 monthly as share money until he has accumulated 12 shares of Rs. 10 each with unlimited liability. A society takes a share of Rs. 500 in the union with fourfold liability. The function of the union is to obtain contracts, and distribute the work among the societies, to receive advances from the contract-giver, to pay them out to the societies, and debit them against the work done. The members of the primary societies are illiterate; but intelligent and free from any factious spirit. One man only in the 22 societies is believed to be able to sign his name. The accounts of the union are, therefore, kept by a supervisor, while Muharrirs write the books of two or sometimes three societies each. All profits are at present carried to reserve, though the by-laws allow a bonus. The real advantage is gained in the rates of payment.

The first societies, formed at a time when the contracts for the year had been given out, were only able to obtain a section which a contractor had left unfinished on account of its difficulties. They cleared up the mess left by him, and were found to have done 98 per cent. of first-class work. Other contracts were obtained, and the net result of a year's working is that contracts were executed at a cost of Rs. 40,000, for which contractors would have charged Rs. 60,000, though their sawyers would have received only Rs. 25,000. The Forest Officer in September 1921 declared himself content with their behaviour, and hoped for an extension of co-operative activity.

The rates deserve comparison. For scantlings and sleepers of a certain measurement, the Forest Department now pays Rs. 36 per hundred to the union, which passes on Rs. 33 to the societies; the societies make no profit, and pass on the Rs. 33 to the sawyers. A small contractor would have charged the Forest Department Rs. 40, and a big contractor Rs. 60. When the timber has been carried to the waterside at Baramula, the union delivers it at Rs. 60, the contractor at Rs. 85. This carriage is undertaken by separate co-operative societies for transport.

The sawyers were formerly always in debt to the contractors, who advanced money for their subsistence, and from whom they were unable to free themselves on their low scale of wages. Advances amounting to Rs. 40,000 have from time to time been made by the Forest Department, for the subsistence of the sawyers and in order to repay their debt to contractors. No interest is charged for six months, but 6 per cent after that time. Rs. 37,000 has been repaid by the union, and the members of the societies are entirely released from their former creditors. They are free men.

Conspicuously successful though the societies have been, it is perhaps not sound policy to subordinate them so strictly to the union. The Italian Unions of Co-operative labour usually obtain the main contracts, and give sub-contracts to their affiliated societies, leaving the latter to carry out the work, subject to inspection, and to make profits if required. A certain margin between the rate at which the union pays the societies, and that at which the societies pay their members should be maintained in order to create a common fund in the primary society as a bond of union, and to prevent the sawyers from regarding the union as a distant and unintelligible "contractor" machine against which they are helpless. The wages of the Muharrirs might with advantage be paid by the primary societies, instead of by the union.

A few minor points may be noted. During the first year the Tahsildar was ex-officio president of the union. He has been replaced by a local landholder, who though not a member of a sawyer society, is in sympathy with their objects and is not an official. The Forest Department, it may be observed, waives its usual demand for security, a concession which is also allowed to co-operative societies in Italy. The societies at present confine their function to organizing labour, but as the villages are small and a second society is almost impossible, it would be convenient to purchase domestic necessities through the labour society. Under the bye-laws it is prescribed that if a meeting is adjourned for lack of a quorum, no quorum is required at the adjourned meeting. This is a dangerous rule, in as much as it permits power to fall into the hands of a small group. On the other hand, a fine of 8 annas should be imposed, for unjustified absence from a general meeting. Finally, it may be mentioned that the union maintains a provident fund, which supports each member if he is unavoidably absent from work up to fifteen days.

Fifteen societies for transport are engaged in conveying the cut timber by human or animal carriage, or by floating or rafting, to the Forest Depots, and thence to the towns. Two rafting societies of thirty members poled three lakhs of cubic feet in a year. The rates are, as in the case of the sawyers, advantageous both to the Department and the worker. The floating of timber from Kashmir to Jhelum by river is now under consideration. A co-operative society should float 50,000 scantlings to the Jhelum at a cost of Rs. 20,000, whereas a contractor charges about three times that amount. Societies for the collection of resin in the forest have been formed in Jammu, and similar action should be practicable in the Punjab. Societies for the collection of the "kuth" root (*Saussurea Leppa*) on the high hills are projected. At present a contractor pays villagers at a small wage to collect it, and acquires a considerable profit.

In connection with the activities of the Forest Department, societies for purchase and distribution of firewood have been formed in the towns. In Sopor there are 22 societies and a union, with 8,000 members: in Drugjan five societies and a union, in a suburb of Shrinagar two societies. They sell at the full price and pay no dividend, the object of these societies, as of the sawyers' union, being at present to accumulate working capital. The members are content to buy at the full rate, being assured of good quality and fair treatment.

A valuable aid to the development of co-operative labour would be a legal provision, such as that existing in Italy, whereby a co-operative society which has intimated its intention of bidding at a public contract auction, may take over the contract at the figure finally accepted from the last bidder. Such a provision will, however, be useless if the custom of excusing contractors from the consequences of an excessive bid be continued. The society must be in a position to leave a rival, who has maliciously pushed up the bidding against it, to carry out the contract at his own figure; malicious competition will then cease. Co-operative labour in Italy undertakes the construction of roads, canals, and buildings, repairs and builds ships, or drains marshes. In India, it should be possible to begin with work in forests, on roads, clearance of canals, or annual repairs of buildings; but genuine labour societies consist of men who work with their own hands, not of landowners or small masters who (quite legitimately) combine to hire workers on a joint task.

C. F. STRICKLAND

## THE CONSUMER'S MOVEMENT

The co-operative consumers' movement is so far not very popular for several reasons. The absence of large producer's societies renders it very difficult for a new society to make purchases at sufficiently remunerative wholesale rates. On the other hand, the difficulties of retail sale are so great as to render it impossible to compete with the ordinary shopkeeper, who has the advantage of credit sales, and has a large variety of purchasers, even for the last remnants which will not be saleable among the more cultured members of a co-operative society. Further, the shopkeeper has the benefit of cheap labour and in many cases has to pay nothing directly for delivering purchases at the customer's house, for which a society may have to engage a special servant. Then there is the question of vigilant supervision over the work of the paid salesman in a consumers' society. It goes without saying that none of these difficulties are unsurmountable for the number of successful consumers' societies in the country is increasing every year, though slowly.

But the whole movement can be given a certain and a definite impetus, if the workers in retail stores are helped by men with wider outlook and a more comprehensive study of the problem. The movement is an attempt at reduction of prices and for the elimination of the middle-man. One of the ways in which the prices can be reduced is to determine the minimum cost of production by means of detailed economic and industrial enquiries, and then to bring about the co-operation of the producers and the consumers in such a way that the prices would conform as much as possible to the minimum cost of production. Of course, the problem is not so easy as it would appear at first sight, but it is one in the solution of which a deliberative body like the Co-operative Institute can help to a great extent. With the help of advice from the Indian Economic Society, or the Indian Merchants' Chamber, it should be possible to conduct inquiries regarding a few staple commodities, for instance, articles of food, clothing, and perhaps the cost of housing. Taking the staple grains used in a city like Bombay, it should be possible to fix for each kind of grain of a particular quality, the minimum price at which it could be imported from the cheapest producing centre. Similarly, by means of proper enquiries and collection of statistical data, it should be possible to fix a minimum price at which cloth could be sold in Bombay per pound or per yard of each quality of cloth in common use. Similarly, it will not take very long for experts to fix a limit of rent at which housing accommodation should be available per unit area.

But the determination of these minimum prices by itself will not help materially unless producers' societies come forward to supply the articles at these prices. How far these societies will succeed in doing so without help from the State is a matter of conjecture, but there is no doubt that if these minimum prices are once determined and brought prominently to the notice of the public, and if the public realise the amount of the profiteering indulged in by each group of middle-men, some improvement is bound to result with the growing weight of public opinion. If, for example, with the falling price of cotton, the price of cloth does not come down sufficiently, and if independent and competent enquiries prove that the prices are kept very much above the cost of production, there is sufficient room for public action. And if no other means prove successful, the consumer can use his last weapon and refrain from buying either partially or completely till the prices are brought down. But in order that such a partial or complete strike of the consumers can be organised successfully and at the right moment, it is absolutely necessary that sufficient and carefully prepared data should be available before the consumer. And it is for this purpose that

the Institute should arrange for a careful and systematic enquiry into the minimum cost of production of articles of necessity, specially in large centers like Bombay, Karachi, or Ahmedabad, where the data are likely to be most widely utilised.

P. G. SHAH

## ECONOMIC EFFECTS OF CO-OPERATIVE CREDIT

The June issue of this journal contains an article on the "Economic Effects of Co-operative Credit" from the pen of Mr. D. A. Vichare in which he dwells at some length on the causes that go to increase rural indebtedness and arrives at certain conclusions. Mr. Vichare has not been able to show that increase in rural indebtedness is an outcome of the system of credit that obtains in the country, and he has fallen into certain errors of judgment and argument which it is the purpose of this article to point out. After showing that it is the agrarian debt that is the bane of rural India he complacently remarks that unless means are devised to reduce the burden of indebtedness no really satisfactory effect can be produced by the introduction of co-operative credit. It is difficult, however, to agree with this indictment as the statement belies all past results achieved by co-operative credit in this country. In the Punjab, the premier province of India in respect of co-operation, it is reported that twenty lakhs of prior debts are annually redeemed through the medium of co-operative societies. Prominent attention to this aspect of the question is being given in all other provinces too, though sufficient statistics are not maintained to give the public a clear idea of the extent to which the evil is minimized. Co-operators in this Presidency are aware that large funds are now being annually devoted for redemption of old debts though progress is slow and the result screened from public view. If the co-operative societies are not the right weapon to fight the evil, we leave Mr. Vichare himself to answer what other effective alternatives can be devised to tackle the problem. The magnitude of the evil, however, bewilders all serious thinkers and the starting of land mortgage banks has been advocated by many in their anxiety to find a satisfactory solution. Though, no doubt, the opening of mortgage banks seems to be present an alluring prospect, any attempt to redeem debts through them must fail so long as land laws are not recast, fragmentation of holdings not stopped and other economic evils remain uneradicated.

In tracing the causes of economic stagnation, Mr. Vichare lays the chief blame at the doors of pleaders as they, in his opinion, increase litigiousness. He says "this economic ruin grows more or less in proportion to the increase

in the number of pleaders in the Taluka and District head-quarters". On the contrary, one is inclined to the opinion that it is the growth of litigious spirit among the people that directly aids the increase of a parasite class and gives them employment in increasing numbers. By all means let us avoid courts and pleaders and let us try to settle our differences amicably amongst ourselves. Cases, however, are not rare of disputes being thus settled through co-operative societies and that too without the cost of a single pie. Again, in his anxiety to relieve the debt-ridden peasantry from the rapacity of Sawkars and pleaders, Mr. Vichare urges co-operators to request Government to extend, the same privileges and facilities to the dealings of Sawkars as are conceded to co-operative societies as if co-operative societies are meant to play the role of mere mechanical money-lending concerns on certain easy terms. If co-operative societies have no higher aim or a greater inner moral purpose the funds hitherto spent on their spread have surely been ill-spent. It is on the moral aspect of the problem of rural debt and stagnation that the Committee on Co-operation laid great stress. They write: "The theory underlying co-operation is that weak and powerless individuals are enabled to improve their individual productive capacity and consequently their material and moral position by combining among themselves and bringing into this combination a progressively developing realization of moral obligation. The movement is essentially a moral one and it is individualistic rather than socialistic. It provides as a substitute for material assets, honesty and a sense of obligation and keeps in view the moral rather than the material sanction. It is to true co-operation alone which recognizes the moral aspect of the question that Government must look for the amelioration of the masses and not to a pseudo-co-operative edifice however imposing which is built in ignorance of co-operative principle". The true remedy to prevent rural stagnation lies, then, not in securing certain concessions to or uniformity in Sowcar dealings, but in the wholesale eradication of the vicious system of village credit still practised by the Sowcar in many parts of the country, through the spread of the co-operative movement.

Commenting on the difficulties experienced in the formation of co-operative societies Mr. Vichare adds that cultivators being generally in debt are unable to form societies unless some other rich men come forward to assist them. "In practice", he says, "this outside body would be merely a substitute for the old Sowcars working under restrictions, reformed rules, and regulations. Apparently, we create a new money-lending class to prey upon the cultivators to a slightly smaller extent". This is entirely to misread the character and constitution and working of a co-operative society. It is impossible.



to agree how a new money-lending class can be created under reformed rules and regulations to prey upon the borrowing class. Societies supplement their own resources, wherever they are insufficient to meet demands, by resort either to loans from central banks or to deposits from non-members. The rates of interest allowed in both cases are strictly within limits and even those allowed on outside deposits slightly smaller. Owing to the republican character of a society, the publicity of its dealings, the system 'of one man one vote' there is absolutely no room for any outside body to assume the role of a dictator and where usurpation of powers by one man is brought to light it is at once put a stop to by remedial measures. Hence it is difficult to agree with the foregoing criticism. On the contrary where rich people are induced through philanthropic motives to join a society and help it financially they lend additional strength to the society by accepting unlimited liability and thus augment its real credit and afford an additional safeguard for outside investments. No co-operator can agree with Mr. Vichare when he thinks of bringing the old Sowcari system into vogue, howsoever restricted the functions of that system may be. The Sowcari system is the very antithesis of co-operation, and to request co-operators to revive that system would, therefore, be to ask them to court their own destruction. Probably, Mr. Vichare in coming to this conclusion has in view of the hardships resulting from the power of foreclosure given to a land mortgage bank, but so far no such institutions are in existence in this Presidency, and one hence fails to recognize the true significance of his remarks on this subject. In making his last suggestion, Mr. Vichare attempts to build down from the top to the bottom. For the success of a central bank, the existence of a sufficient number of well-managed societies is a desideratum. Even with a well-managed and well-equipped central bank the movement might be a failure. The provision of prompt and adequate finance may accelerate the rate of progress to some degree, but to maintain that a central bank is the pivot of the whole system would be to shift the centre of gravity from the master to the servant.

K. R. KULKARNI

## RURAL SECONDARY OCCUPATIONS AND COTTAGE INDUSTRIES

It is a well-known fact that in most of our districts, which depend on seasonal rainfall, the essential farm operations are of necessity confined to particular periods in the year. The conditions of our agriculture leave the cultivators out of employment for nearly half the year.

This vast amount of surplus labour ought to be utilised in home or cottage industries in our rural areas to improve the economic condition of the cultivators. There seems to be a wrong impression that industries on a small-scale will not pay, but it must be remembered that almost every industry was a cottage industry once, and notwithstanding the advent of factories the days of cottage industries are not yet gone even in Europe and Japan.

Another difficulty that is likely to be brought forward is that people will have to be trained to take up the industries to be introduced. This has to be done when the villagers go to the factories. As primary education is soon to be made compulsory, arrangements for some form of vocational training have to be devised without delay. It is only in the beginning that a few intelligent cultivators will have to be specially trained for a particular industry, but once these are trained the rest of the people in that village will learn by the process of imitation and in a year or two the villagers will make that industry their own. Even such industries as require skill can with success be introduced in villages. In a village by name Tanand near Miraj there is a concrete example of how secondary industries are learnt and taken up by cultivators. About fifteen years ago this village was just like any other agricultural village. The cultivators worked only for about six months in a year and naturally their economic condition was not very satisfactory. A goldsmith in this village, whose good work and punctuality brought work to him from neighbouring places like Miraj, Sangli, and Kolhapur employed the village people to help him. Slowly these villagers learnt the art of preparing gold ornaments and have now independent individual or co-operative concerns. The men that have taken up this industry are not goldsmiths. They are Marathas, Mohomedans, and Berads. They are all cultivators, cultivate lands in the agricultural season, and do the goldsmith's work during their spare time. This secondary industry has improved the economic position of the cultivators and of the whole village of Tanand. What has been achieved in this village is an indication of what can be achieved in other villages.

It is now high time to make serious attempts to improve the existing cottage industries and to introduce new ones. These industries do not require large capital, and if care is taken to introduce the manufacture of such articles as are not subject to change in fashion and are in constant demand, there will be no risk. No regular survey, it has to be admitted, has yet been made to ascertain the cottage industries most suitable for particular localities in the Presidency, but an attempt may be made here to indicate such industries as are likely to be

suitable for various localities. Some of the industries are suitable for villages situated near towns or in places with good railway communications, others suitable for places near forests, and still others suitable for villages having the necessary raw materials near by. Some of the hand industries can be carried on by individuals, but others will have to be organized on co-operative lines to facilitate work.

The following are a few of the secondary industries which are likely to prove useful, although the list might be increased as we succeed in our efforts to introduce them:—

**COIR GOODS:**—The husk of the cocoanut is a very useful material. Only a small quantity is utilised locally. Some of it is exported in a crude condition and the rest is burnt. It is necessary to introduce some hand machinery to take out the fibre easily and in a good condition and train people to prepare coir goods, so that they will get employment and the material will be utilised. Coir has been found suited for a variety of articles of great utility such as mats, fancy baskets, bonnets, brushes etc. This industry will flourish in the Konkan districts where cocoanuts grow in abundance.

**PAPER PULP:**—It has been found that in the bamboo and several coarse grasses which are found in forest areas we have an almost unlimited supply of material which can be turned into pulp, useful for paper-making. If cultivators residing forests are instructed in methods of preparing pulp we can get large amounts of pulp for being delivered to mills at a low cost. This will help in making paper cheaper than it is at present.

**BASKET AND MAT MAKING:**—In the forests there are several types of creepers and plants which can with advantage be utilised for basket-making. There could also be found materials for mat-making. If the Forest Department finds out suitable materials for these, the neighbouring cultivators may take to basket and mat-making.

**TANNIN EXTRACT:**—Tanning is very widely distributed in the vegetable kingdom. It is found in the bark of various species of acacia, castanea, in the fruits of terminalia chebula (Hirida), &c. Large quantities of these are at present exported. The fruits of terminalia chebula are sent out in hundreds of ship-loads. If the cultivators once know how to extract tannin in a crude form they can very well utilise the material available in their village. The cultivators in the neighbourhood of forests will certainly be benefited by this industry. Tannin extracts are more portable than wood or bark or fruit. The seed of Hirida left behind will also be found to be useful for some other industries.

**LAC AND LACQUER WORK:**—Propagation of the lac insect and collection of lac are things which can be introduced in at least a few localities in almost every district. Long lists of plants suited for lac production have already been published. In the Poona district we have Amba, Ain, Sag, Bor, the Pimpal, Palas, Shitaphal, Babbul, Karvand and several others quite suited for lac. An attempt to introduce lac culture and train people in lacquer work will bring money into the pockets of cultivators without compelling them to leave their village.

**TINS AND TIN TOYS:**—Tins of various sizes and shapes as also tin toys are now in great demand in towns. The cultivators will learn tin-making without much difficulty, and if suitable hand instruments are devised, proper types of tins can be cut for toys. This industry is suitable for individual workers. It does not require large capital and has a ready market.

**SPINNING AND WEAVING:**—The Improvement of the spinning wheel and the hand-loom will be a great boon and the introduction of these in the houses of cultivators in cotton-growing districts will lead to the production of large quantities of coarse cloth which the cultivators require.

**SHEEP-KEEPING:**—Sheep-keeping will be doubly useful. It will enrich the land by folding sheep on it and the wool even though it is coarse will give coarse woollen clothing for cultivators. This industry deserves every encouragement, and with the introduction of improved hand machines for carding and weaving wool, the quality of woollen material will also improve.

**CATTLE-BREEDING:**—Although cattle-breeding is not within the power of the poor cultivators to undertake, it can be profitably taken up by well-to-do cultivators who ordinarily do not work as labourers but waste their time in doing nothing. An attempt in this direction is being made by the Agricultural Department by encouraging good cultivators to rear and bring up good stocks of cattle.

**POULTRY:**—A few cultivators keep poultry but have not yet taken to it as an industry. The question of poultry-keeping should now be considered more seriously than it has been so long. It seems to be a remunerative employment and a few trials will suffice to show if it is practicable and desirable to promote poultry keeping as a secondary industry.

**ERI-SILK.**—This variety is an unreelable silk from worms which feed on castor leaves. Wherever castor leaves are available, and there are many such places in this Presidency, the production of eri silk can be

successfully introduced as a cottage industry. If women and children once know how to deal with these worms they can attend to them without any difficulty. The cocoons may be spun on hand machines or sent to some central places.

**BRICKS, TILES, AND POTTERY:**—There is plenty of suitable material for this industry. Inferior types of bricks are being prepared along the G. I. P. lines in the Thana district. Several places along the B. B. & C. I. lines in the Surat district prepare tiles of the Mangalore type and similar attempts are being made in the Belgaum district. The introduction of pottery in these places and the extension of the industry to other centres may be undertaken.

**CHINA POTTERY AND TOYS:**—In places where white clay is available, as in the Belgaum and Dharwar districts, inferior types of china clay materials can be prepared. They are always in great demand.

**GLASS MAKING:**—This can be introduced as a cottage industry, where silica and lime are available, by importing soda if it is found near by in a crude form. The glass produced need not be colourless. Different varieties of glass can be used for bangles, inferior bottles etc. This trade is pursued in certain centres on the Southern Maratha line and requires extension. Even in Bohemia, Belgium, and Japan the manufacture of glass on a small scale as a cottage industry is in a position to hold its own, and there is no reason why it should not flourish in India. Some places in the Kaladgi Basin in Belgaum, Bijapur and in some districts in the Deccan traparea will be found to be suitable.

To the list mentioned above may be added the preparation of crude soaps, useful wooden and iron furniture, hand tools, carpets, distilled essential oils, bone-crushing and a number of other crafts. What is required is a serious beginning. Failures may occur, but they should not in any way discourage us. On the contrary, failures will help in moulding our future programme. If the Agricultural, Co-operative and Industrial Departments join hand much will be achieved in introducing cottage industries in villages all over the Presidency.

D. L. SAHASELUDHRE

### AGRICULTURAL CO-OPERATION

The aim of agricultural co-operation can properly be interpreted to be to make the pursuit of agriculture a successful operation. When agriculture becomes a successful industry, those who follow the agricultural profession must become more prosperous, by getting more produce and by effecting a saving in their ordinary agricultural expenses. The agriculturist must spend less in cultivation and get more as his produce from the

land he generally cultivates and also may be enabled to earn more if he finds sufficient time and has got sufficient means at his disposal. The principal object of agricultural co-operation must be (1) to effect savings in the ordinary expenses, (2) to get a better yield by the same exertions, (3) to obtain more money than what he generally gets by the sale of agricultural produce, (4) to secure some protection at the time of unforeseen calamities and (5) to enable the agriculturist to earn more by means of some secondary agricultural industries without in any way interfering with his ordinary business. All co-operative societies which have these objects in view can be grouped under the head of agricultural co-operation, and thrift and increased production can be styled as the main principles governing agricultural co-operation as they tend to make the agriculturist quite independent of sawkars and middlemen.

The aims and objects of the various classes of societies may now be examined. Co-operative societies for lending money and grain, for the supply of implement and for the purchase of seed, manure, and the necessities of life are intended to effect savings in agricultural expenses. Co-operative farming and co-operative irrigation societies increase agricultural production, co-operative sale societies and co-operative markets are intended to eliminate the profits of middlemen and to bring more money into the pockets of the agriculturists for their produce. Co-operative cattle insurance societies secure agriculturists from loss through deaths among cattle, and co-operative societies for secondary industries like dairy, cattle-breeding, sheep-breeding, horse-breeding, poultry-keeping, preservation of fruits, hand-spinning, ginning, and rope-making will add to their income and enable them to be richer than they would be under ordinary circumstances.

The principles of co-operation must be applied after taking into consideration the circumstances under which agriculturists in a given area live and the nature of the tracts in which they live. One must make a minute study of the tract in which one is carrying out the work of agricultural organisation and one must fully study the habits of the people who are intended to be the members of a co-operative society of one form or the other. Almost everywhere a majority of the agriculturists are found to be illiterate, uneconomical, and indolent. The agriculturist tries to pull on with what he gets from his land. There is no thought about the cost of production, no estimate about the yearly requirements. He spends, as circumstances arise, and when he finds that there is a deficit he borrows in order to make both ends meet. Fortunately, if the succeeding year be a good one he is able to repay; if not, he borrows more and more and ultimately falls into the clutches of a sawkar. Co-operative remedies must be applied in such a way that the agriculturists

will be more thrifty and better able to carry on their business in a proper manner without dependence on the sawkar.

Money being the principal item with which all the necessities of life can be purchased or difficulties can be overcome, credit societies have generally been considered to be the most important item in the economic salvation of the agriculturists. But when we go into the details of the real life of agriculturists we find that there are several intermediaries besides the money-lender who take advantage of their ignorance and grow fat at their expense. They are required to pay high rates of interest not only to money-lenders, but have to pay much more to the persons from whom they borrow grain, bullocks, implements, and pay exorbitant charge for the purchase of seed, agricultural implements and the necessities of life. They are never at an advantage when they sell their agricultural produce, whether it may be vegetables, fruits, grain, jaggery or cotton. Thus they are handicapped in both ways. Advantage is taken of their need, when they require money or any other requirements for their business or maintenance and they are not given proper prices for the produce they grow and bring to the market.

They are also never taught to have recourse to secondary industries in order to supplement their income when their holdings are very small and uneconomical. Thus they are required to incur either additional debt or to go to Bombay or other industrial centres as labourers in order to make both ends meet. In the Deccan districts, where agriculture is entirely dependent on rain and is quite speculative, agriculturists are never sure of their crops unless they have got the facilities of well or canal irrigation, and if there be a series of bad years their condition becomes precarious and they entirely fall into the hands of capitalist money-lenders. This condition is especially observed in the districts of Poona, Ahmednagar, Satara, Sholapur, Bijapur, Ratnagiri, and the eastern parts of Nasik.

If co-operation is meant for the real good of the agriculturists it must be really helpful to them to get through all the difficulties. The remedy must be really effective and go to the root of the disease in order to cure it. By the application of external palliative there will be temporary relief, but the disease will not be cured. Thus, agricultural co-operation must look to all the aspects of the question and not merely be one of the remedies.

Apart from the question of the proper application of the money lent to agriculturists, if we consider the amount an agriculturist saves by borrowing from the credit societies we find that it is not a very big item. Suppose a cultivator borrows Rs. 50 from a co-operative credit society and does not go to the sawkar, what saving will he effect if the rate of

interest of the sawkar be even Rs. 1-8-0 or 18 per cent. The rate of interest charged by credit societies is generally  $2\frac{3}{4}$  per cent. Thus he will save Rs. 43-2-0. Now if you go through other items of his expenses you will find that he is required to pay 50 per cent. more for the seed even though the quality be not very good. He does not get good manures like ammonium sulphate and oil-cakes at the proper prices, but is required to pay higher prices in proportion to the greater demand in the market, and he is required to accept whatever quality is available in the local trader's shop. He does not get good implements to remove *kurda* and *hariali* from his fields and is handicapped even as regards good bullocks. But the most important thing is this—that he is required to market through sawkars his agricultural produce in order to pay the Government dues and the instalments of the debts due to the society. All trade being in the hands of persons other than agriculturists, the agriculturist gets prices for his produce regulated by the iron law of supply and demand as prevailing in the market at that juncture. As almost all the agriculturists are keen in disposing of their agricultural produce in the market at one and the same time, there is generally a large supply and hence there is a tendency for prices to fall. He is not in a position to obtain good prices for the articles put forth for sale. There are several middlemen like the village Baniyas, Dalals, Adatyas. All of them try to appropriate as much portion of the profit as they possibly can. When the market has risen they are very keen on making purchases, but when it is dull they try to put the agriculturists down by quoting low rates on various pretexts.

If the crop be cotton, the middleman, for instance, will say that it is short-stapled, it has 'kalli palli' and so on. If it be jaggery he will say it is black, sticky, and so on. In several market places you will find that the agriculturist is wholly in the hands of Adatyas, and that he has no voice as regards the sale of his produce. When he goes a long distance to market his goods, his situation becomes still worse. It is very difficult for him to take back his carts and he either keeps his produce with the Adatya or sells it for whatever price he can realize. There is never any thought of future production at the time of sale. Thus it will be seen that unless there is some organization to market the goods of the agriculturist he will never get proper prices for his produce and that this defect operates as a great hindrance to his economic improvement.

Traders in grain, cotton, oil-seeds, jaggery and such other agricultural produce always prosper though they themselves take no part in production, but the agriculturist remains where he is, even if he introduces new implements and new methods of cultivation and even if he gets additional



produce. It can be safely said that no improvements in agriculture will be fully effective unless there is improvement in the present system of marketing and unless the agriculturists are able to control the market of the produce they get. There should be, to start with, co-operative sale societies to market the produce of the agriculturists. Such societies will be useful to all, whether rich or poor. The rich may not require any assistance from a co-operative credit society, but they will surely require the help of a sale society to market their goods. By means of sale societies the agriculturists will be able to sell their produce at good prices and obtain substantial increases in their income.

The second important item is that of purchasing the necessities of life on co-operative lines. If the necessities of life are purchased wholesale and then distributed the agriculturists can save from 6 to 12 per cent. The present system is very faulty and there is actual bartering in some rural areas. In some parts, the wife of the agriculturist goes to a Bania's shop with some grain like Jawari or Bajri and asks him to give her Khobra, oil or such other thing. In this transaction there is double loss, she pays in kind more and receives less in kind from the Bania. Co-operation must try to remove all these defects and try to enable the agriculturists to make his purchase at some advantage.

Further, loss of cattle, shortage of food grains and fodder come in the way and hamper the economic improvement of the agriculturist. He is handicapped for want of all these things, he is either required to pay very high rates of interest in cash or kind and often loses the whole estate in the payment of interest. Generally, he is in need of grain or fodder at the beginning of monsoon, and borrows these things on the "Vadhi Didhi" system, that is, pays one and half times or twice in quantity in return. In the season, if the crop is good and if the rate be high the Sawkar makes recovery in kind. The agriculturist generally keeps a deficit stock for the rest of the year and is again required to approach his sawkar in the next season. If the market be dull, he is not anxious to make recoveries but allows his loan to remain unrecovered till monsoon when these things are generally dear and he makes a demand for his grain. The agriculturist being handicapped is compelled to give him a bond or a promissory note for the whole quantity to be paid and not only the principal. Thus if he borrows only once he never becomes free from the sawkar's clutches. The agriculturist generally spends his grain for all his requirements and is at the end of his resources at this time of the year. Sawkars take advantage of this and try to keep the agriculturists always in debt. This state of things should be ended by starting co-operative grain banks or fodder depots.

When bullocks succumb to some disease like rinderpest, he is helpless and is unable to conduct his business unless he purchases a new bullock. He must either borrow for the purchase of new bullocks or lease his lands to some one else and get only the rent of his lands which is from a third to a half of the total produce. If cattle insurance societies are started this difficulty can be easily removed. He will not be handicapped in case of such difficulties and can purchase a new bullock out of the money he gets from the insurance society. To increase his income recourse can be had to cattle-breeding, sheep-breeding and horse-breeding societies. There are several tracts favourable for the starting of such societies. Where there is sufficient ground for cattle grazing, cattle breeding societies are successful. In the tract between Satara and Sholapur it is found that by cattle-breeding (though not on co-operative lines) the agriculturists are able to defray their expenses in regard to Government assessment and clothing.

In Mal Ran lands the small grass that is grown is not very useful for the grazing of cattle but it is good for grazing sheep. Why should the agriculturists not be enabled to take advantage of this through co-operative societies? In Patas, the villagers used to get Rs. 2,000 as grazing fees from shepherds as there is a great deal of Mal Ran. If the villagers themselves follow the business they will get not less than Rs. 10,000, and will be the richer to that extent. Co-operative sheep-breeding will have some other advantages. The land can be enriched by the manure available from the urine and droppings of these sheep. The gift of nature in the form of small grass can be fully availed of and not allowed to run to waste, and besides there will be an additional supply of wool which will not only add to the income of the agriculturists but will be also a great material asset. Where there is good Harli and green pasture by the sides of rivers and Nallas, horse-breeding is very paying. Mandesh, Gangthadi and Bhimthadi tracts and Khandesh sides are very convenient for horse-breeding.

Where cotton is grown, hand-spinning and hand-ginning are very remunerative. In the Bijapur District, cotton is still ginned by means of a stone and an iron bar and it pays much more than seed cotton. Impetus can be given to this industry by means of co-operative societies. This year, Mr. N. Y. Mirikar was able to support a number of persons by spinning local cotton and wool and weaving some cloth out of the cotton and wool thus spun.

Co-operative poultry-keeping will also be remunerative if the agriculturists have no religious prejudices keeping against poultry. It will add to their income and will also be useful in checking the pestilence of some

insects. If the example of agricultural co-operation in Denmark be kept before us, we can see to what extent poultry-keeping can be developed as a subsidiary industry.

The keeping of cows and buffaloes and getting dairy produce like milk, butter and ghee for sale or for export and sale will also add to the income of the agriculturists, but definite attempts should be made to make improvements in that direction through co-operative societies. No attempts have as yet been made for fruit curing and fruit preservation, and hence agriculturists are unable to get sufficient advantage of growing fruits. Mangoes, plantains, figs, grapes and lime are in abundance at a particular season of the year, but they cannot be preserved for a long time and are hence to be marketed in the very locality in which they are grown and that too when the supply is abundant. If attempts are made through co-operative societies to preserve such fruits they can be marketed at distant places and the agriculturists will be able to make a good income by the cultivation of fruit gardens.

The income of agriculturists can thus be increased by starting co-operative organisations for promoting such secondary industries. But these observations relate to individual cultivation. There is, however, one more way by which the agriculturists will be able to produce more and get more as their agricultural profits. The present holdings of land are very small, scattered and uneconomical. Individual agriculturists are required to keep extra bullocks, extra watchmen, and extra labourers for the proper cultivation of these holdings. If agriculturists combine and cultivate the lands in common they will save a good deal over cultivation expenses. The services of bullocks, labourers, watchmen can be availed of to the best advantage and extra expenses curtailed. There will be proper division of labour. Such co-operative farming will be very successful in areas irrigated by canals or wells or tanks similar to those found in the Dharwar District.

The credit branch of agricultural co-operation is doing well and making very good progress in general, but still there are many misunderstandings and many defects and they must be removed as early as possible. By the majority of agriculturists credit societies are not really considered as co-operative institutions, but simply money-lending institutions. Agriculturists demand the starting of societies not for encouraging thrift, but simply for getting loans. They think that Government have got large funds for distribution through societies. They have no idea that it is their institution that they are to get their own finances on their joint credit and to satisfy their money needs from these funds and thus to release themselves from the clutches of Sawkars. This

must be first removed and such societies should be made to encourage thrift by getting the constituent members to keep deposits and to increase their savings. What interest a member saves by taking a loan from a co-operative society instead of from a Sawkar *should not go to his additional expenses, but should remain with him as his savings*. Members must be taught to keep regular deposits every year and thus to get richer every year as a result of their having become members of societies. All this misunderstanding will not be removed unless there is sufficient education. In the meanwhile, co-operators should to explain the real principles and make the present institutions really co-operative. When the principles of credit societies are really understood, they will themselves take to manure, seed and implement societies, granaries, purchase and sale societies, cattle insurance societies, and societies for secondary industries to supplement their income. Thus it will be seen that agricultural co-operation consists of all these different branches and not only of credit societies and that agricultural co-operation must be directed towards increased production by making some savings in expenses and by getting additional income, through the several types of societies described above.

L. S. POTNIS

## PROGRESS OF CO-OPERATION IN INDIA

### BOMBAY

The annual report on the working of co-operative societies in the Bombay Presidency for the year ending 31st March 1921 was presented to co-operators at the time of the Provincial Co-operative Conference held at Poona in the last week of August. Though lengthy, it is of absorbing interest from start to finish, written as it is by a person of the literary capacity of Mr. Otto Rothfeld. It bears the impress of his personality, though it suffers to a certain extent consequently, dealing as it does more with the writer's feelings and impressions than with an elucidation of the facts and figures contained in the body of the report and the appendices. For instance, a reader would gather the impression that except in regard to the constitution and general structure of agricultural credit societies, the movement suffered from a lack of any well-defined policy, and that no thought had been bestowed on the evolution of a well-ordered organization or on the development of other aspects of co-operation. This impression does scant justice either to Mr. Rothfeld's predecessor or to the eminent non-official workers who have been associated with the movement during these last fifteen years. As the movement had not attained any real importance until 1916, it is true that there was

an absence of any well-defined programme when the Committee on Co-operation visited the Presidency in 1914, but the Report of that Committee gave a valuable lead which has been consistently followed, although in the interpretation of this policy the leaders of the movement in this Presidency have taken account of the history of its growth and the local conditions and have not made a fetish of academic theories. Co-operators in this Presidency had seen light much earlier than the year of grace 1920. On the other hand, although the Co-operative Department has an academic policy set before it now, most co-operators feel that they have lost their moorings and that they cannot justify either to themselves or to their humbler fellow-workers the logical bearings of that policy, which are not a consequence of their own reasoned acceptance. It is when one contemplates this that one feels that Registrars should not introduce changes in policy unless these changes specifically placed before and accepted by co-operative workers, and that the controlling voice in the determination of policy should be, not that of the Registrar, but of a representative body like the Institute. The effect of the adoption of new canons of co-operative practice is evident from the facts outlined in the annual report. The rate of the growth of agricultural credit societies has slowed down, and will probably be still more reduced during the current year. There has been practically no increase in the number of agricultural non-credit societies, and only a nominal increase in the number of guaranteeing unions. A good number of the new co-operative stores have not been able to start work, hardly any new people's banks have come into existence, a gloom seems to pervade among the promoters of the movement of co-operative housing in Bombay, and the development of the producers' movement is made dependent on the establishment of a separate bank, the starting of which at this stage is disapproved both by Government and the bulk of non-official co-operators.

The number of agricultural credit societies increased from 1,993 to 2,264, and the working capital from 108 lakhs to 133½ lakhs of Rupees. The membership was a little over 1,71,000. There was an increase of two lakhs in the reserve funds which amounted to 9½ lakhs at the close of the year. Inclusive of these, the owned capital amounted to 40 lakhs. Satisfactory as the amount of members' deposits is in itself, it would be incorrect to assume that the agricultural credit societies are as a rule utilized by their members as repositories for the deposit of savings, or unemployed funds. Most of the large amount of 30½ lakhs raised is contributed by initial deposits and by compulsory deposits deducted on a percentage basis at the time of making advances. It is only in stray places that members use the societies as their bankers, and this is not surprising in view of the fact that the societies do not fulfil an essential function of bankers, namely,

that of assisting their clientele on occasions of emergency and granting them, according to their credit, reasonable accommodation for the finance of agriculture. Nor are deposits likely to be attracted until proper facilities for their withdrawal are provided. Our official mentors while deploring the failure of societies to instil habits of thrift among the peasantry forget these essential factors and often penalize societies, by denying them adequate financial assistance and other facilities. on the ground of the paucity of owned capital, a defect for which those who mould the policy of the movement are more responsible than the humbler rural workers. Besides, it may be observed that even in Germany the home of the Raiffeisen system of co-operative credit, after fifty years of progress the proportion of owned capital to the total funds is lower than in this Presidency, so that no agricultural credit society with an unlimited liability should be deprived of the financial facilities to which its credit-worthiness entitles it, for the reason that the proportion of its owned capital does not reach a standard arbitrarily laid down by an official authority.

It is a matter of credit that the village societies have been able to attract deposits from non-members to the extent of 27½ lakhs, and no other province in India shows equally satisfactory figures. The only drawback is that the acceptance of such deposits is not governed by any clear principle, and that as large amounts are often borrowed as annual deposits from individuals who are not local residents, the societies will in bad seasons find themselves in difficulties if they do not arrange with their financing agencies for provision of fluid resources. Mr. Rothfeld has no remarks to offer on the financial operations of primary societies except in one respect. He has very grave doubts about the utility of any schemes of debt redemption, particularly in the dry tracts of the Deccan. His line of argument is that as the bulk of the members of societies in those part are uneconomic cultivators, the societies themselves are doomed to failure, and that we cannot afford to advance large sums for redemption of debt to members of such societies. Mr. Rothfeld forgets that even among agriculturists in the Deccan there may be found economic holders and that those among them who are indebted could be assisted; further, that the co-operative movement was deliberately introduced to relieve all but the improvident, and that it would be a sad confession of failure to argue, without having put into operation any constructive policy of economic betterment through co-operative agency, that co-operation affords no relief to the small cultivator.

Another aspect of the working of this type of societies is, however, the reverse of being creditable. Overdues have increased from 8½ lakhs

to 16 lakhs and amount to 12 per cent. of the working capital. In one place, Mr. Rothfeld writes that the growth in arrears is due not so much to a bad season as to the neglect of their duties by managing committees and by guaranteeing unions. Elsewhere, however, he writes that members have without pressure from officials done their utmost to repay their obligations and keep their societies flourishing. One wonders, then, where exactly the truth lies. In any case, in some parts of the Presidency, extensions have not been granted where they should have been, and this coupled with a suspension of further advances has brought on "a sort of discouragement", which has pervaded the whole work of societies, Mr. Rothfeld has no constructive suggestions to offer on the subject of recoveries, but merely asserts "that with a subsidence of the atmosphere of moral disorder the arrears will be wiped off by a loyal general consensus of the movement". It is curious that, while in one places, the agricultural and labouring classes of the Presidency are congratulated on their common sense in co-operating (not among themselves but presumably with Government) in a movement aiming at their economic development and social regeneration, when it is a question of explaining away the growth of arrears among members of these very communities, Mr. Rothfeld has no compunction in holding the teachings of non-co-operators as responsible. And it is to be regretted that in his examination of the conditions underlying the increase of arrears, Mr. Rothfeld imports his feelings against various communities, particularly "the educated, highly-placed and powerful classes in small villages" who are by implication Brahmins. In virtue of the Rules framed under the Act, co-operative societies are prohibited from the discussion of matters of political or religious controversy, and the Registrar of Co-operative Societies who is charged with the duty of attending to the observance of the Rules should have been the last person to have raised in his report a public controversy on communal or political issues. The question was raised at the last conference, and is likely to embitter the relations between the different constituents of the movement if generalizations about the corruption and fraud perpetrated by the educated and socially advanced sections of the community continue to find favour with the Department.

The number of agricultural non-credit societies was 110, showing a very small increase over the previous year's figures. The membership was 2,000 and the capital about 2 lakhs. Mr. Rothfeld does not explain why, despite his evident anxiety to develop other forms of co-operation along with credit, the year witnessed such feeble progress. The truth is that while a vague propaganda has been carried on, basing its suggestions on the experiences of foreign countries like Denmark,

Ireland, or France, no attempt has been made to study the socio-economic conditions of the Presidency, and the type of organization that will suit its needs. We had at first the small purchase or sale societies for separate villages, and these were replaced in places by central societies for groups of villages. But no effort was made to give them guidance in the matter of carrying on agricultural trade, nor were any arrangements for financing devised. There was an absence of any organic connection between them and the credit societies, and the business of the members consequently suffered. In most parts of India, agricultural trade and banking are very intimately connected, and experience in this Presidency proves that it is where this connection subsists, as in the canal areas, that a sound trading organization can be built up. But those who lay down the law for the movement fail to notice facts, and carried away by the theories attempt to set up an Indian organization, which, however suited to the conditions of educated Denmark, refuses to take root in this Presidency where the main defects of the agricultural community are lack of business habits and of business acumen. So our official reports complain of the apathy of the agriculturists, their lack of public spirit, and forget that the same institutions do not thrive in all climates.

The number of non-agricultural credit societies increased from 273 to 313. Among these, societies with an unlimited liability numbered 41, with a membership of 2,746 and a working capital of Rs. 1,93,907. These societies consists of the poorer urban classes, and Mr. Rothfeld is not very sanguine about their further development. The membership of the limited liability societies increased from 63,000 to 72,000, and their working capital from 68½ to 90½ lakhs. This group consists of salary-earners' and employees' societies, communal societies, and people's banks. There was no increase in the number of people's banks, but an attempt was made to extend their operations by the introduction of the cheque system, the opening of current accounts, and the encouragement of the use of hundies, drafts, and bills of exchange. Some of the banks were persuaded to reduce their rates of dividends, and to grant bonuses to borrowers out of surplus profits. This is desirable in itself, but so long as the Rules under the Act permit the payment of dividends upto 12 per cent. and do not insist on the division of profits among borrowers, the Registrar has neither legal nor moral authority to coerce any society to conform to a standard of distribution of profits dictated by him. Mr. Rothfeld has no special remarks to offer on the subject of communal societies, while his observations on employers' and salary-earners' societies do not throw any new light on this important aspect of the co-operative movement. In view of the fact that the increase in the number of urban credit societies was contributed mainly by this class of societies, to



speak of the satisfactory progress of the movement among the industrial population of the Presidency, as Mr. Rothfeld does, is rather wide of the mark. Neither the police, nor the school teachers, nor—to be exact—postmen, among whom new societies are being started form sections of the industrial population. And, again, Mr. Rothfeld is wrong in offering co-operative credit as a cure for the ever-increasing cost of living among the salaried classes. That would be tantamount to encouraging borrowing to make both ends meet, an absolutely uneconomic policy as Mr. Rothfeld would be the first to admit. It is only increase of salaries that can meet the situation.

According to the new classification introduced by him last year, Mr. Rothfeld deals with co-operative stores and housing societies under the general heading of the consumers of the movement, and with weavers' and artisans' societies under the heading producers' movement. The number of co-operative stores increased from 59 to 88, but no less than nineteen of these had not commenced working, while ten had failed to submit returns at the close of the year. Many co-operative workers are inclined to believe that the progress of the consumers' movement would have been much more satisfactory than it has been if the Wholesale Society had not been wrecked, while Mr. Rothfeld himself is still of the opinion that the very concept of a wholesale society is still beyond the capacity of the existing stores to realize and that the hope of again organizing a similar institution must be abandoned for a couple of years. The main need of the movement is, according to him, a spiritual one more than anything material, and this is the creation of a sense of loyalty among members and the strict observance of the principles underlying the movement. Mr. Rothfeld also regrets that few of the members of co-operative stores have a genuine understanding of the wastefulness of the present distributive system and are animated by an intelligent desire to substitute the direct control of the consumers for the complicated and expensive system of distribution by middlemen. This, even if true, is not surprising, for in towns and cities the feeling against the existing distributive system is of recent growth, dating from the later years of the War. And as it originated in the days of gross profiteering then in evidence, it should not be a matter for complaint that the stores came into existence mainly with a wish to secure an immediate benefit, namely, the elimination of the illegitimate gains of the profiteer.

This Presidency deserves credit for initiating the very useful and interesting experiment of promoting house-building enterprise on a co-partnership basis. But even for these pioneers of a valuable social endeavour Mr. Rothfeld expresses no admiration, for, according to him,

members have joined societies not from any real appreciation of the co-operative spirit as from a desire to acquire houses easily and cheaply for their own private use, forgetting that positive efforts aiming at the relief of congestion are socially useful ends in themselves. It was with the aid of non-official workers that the bye-laws, the leases, and the rules and regulations were drawn up. Experience may show these to be defective here and there, and care will have to be taken to correct defects brought to light. But, after all, co-operative activity should be as little fettered as possible by legal technicalities, and while anything-illegal or unco-operative must be eschewed, no new activity should be discouraged merely because the Registrar had been unable to discover formulæ which would satisfy rigid legal tests. If such a test were made applicable to the other type of societies, all progress would be at a stand-still. There has been, for this reason, not much striking growth of the housing movement, and the year ended with 29 societies, having a membership of 3,295, and a working capital of 15 lakhs.

The producers' movement is a new force in the co-operative life of the Presidency, although the organization of weavers' societies corresponded in some respects to what Mr. Rothfeld would define as the correct lines of working of producers' societies. Three new industrial producers' societies were registered during the year, one of which is composed of the coppersmiths of Poona, and another of a number of dyers in Ahmedabad. The third as a soap producers' society in Bombay. As in the previous year a shoe-makers' society was included in this class, as also the salt-owners' society at Sanikatta. There is already one society among potters and it is proposed to extend the movement among potters with the help of the Superintendent of Potteries. While the salt-owners' society at Sanikatta is more a syndicate of middlemen than a society of producers, a new society for salt-workers has been started at Mauripur near Karachi. This society will be allowed to tender for the contracts offered by Government for the transport of salt from the works to Karachi. A similar society for labourers was started during the year in Broach. This, like the Italian societies of the Bracchianti type will undertake contracts for road construction and the repair and building of houses. Puttur in South Kanara was the first in the field in organizing co-operative societies for labourers, and if these two experiments succeed, we may well hope to see workmen, whose services are now engaged through contractors, being organized in co-operative societies to tender for contracts under municipalities, local boards, and the Public Works Department.

There is a fine scope for the extension of the producers' movement to the industrial sections of the population, the workers in cottage

industries, artisans, and handicraftsmen. Labour in these industries, as Mr. Rothfeld observes, is still largely organized in more or less self-contained communities and castes which maintain a fairly vital disciplinary system, and promote the sense of communal good. Among agriculturists who carry on their function of production individually, the principles of co-operative production cannot be expected to obtain a footing with equal ease. But dairying is one of the subsidiary industries that can be organized co-operatively and there were about half a dozen dairies, of which at least three were reported to be doing well. Another field is the organization of producers' societies for joint cultivation. There is a certain degree of traditional co-operation carried on in the Deccan in regard to the use of water, and, as observed at the last Provincial Conference, joint farming seems to be one of the methods of improving the condition of uneconomic cultivators in dry tract areas liable to recurring famines. A society of cultivators was organized in the Sholapur District, but has not yet been registered. Weavers' societies numbered 44 at the end of the year. They had a membership of 2,850, and commanded a working capital of Rs. 2,36,344. The season was a bad one for weavers, who found it hard to dispose of finished articles. But conditions have now changed, and the demand for hand-woven cloth is in excess of the supply. The psychological moment has, therefore, come to organize the handloom weaving industry on a financially sound, co-operative basis, and to revivify the most important cottage industry of the Presidency.

The Provincial Bank which was started to finance primary societies all over the Presidency is gradually being displaced by district central banks, and its operations with primary societies direct are confined only to the canal areas and to such districts as have no central banks. The outstandings of the Bank with primary societies now nearly equal the amount due to the district banks by primary societies, but as unions are transferred to the control of district banks there should be a considerable reduction effected in the loans to primary societies. The rates of interest on advances had to be slightly increased during the year owing to the tightness of the money market which led to a raising of the rate at which the Bank could borrow funds. The number of district central banks increased from 13 to 17. Their working capital increased by 13½ lakhs to 42 lakhs. The aggregate share capital was 7½ lakhs, and the reserve fund Rs. 90,000. Nearly five lakhs were borrowed from the Provincial Bank, while the rest of the capital was obtained by deposits. The fact that only a couple of lakhs were derived from co-operative societies, shows that the central banks have not yet assumed the position of balancing centres but are merely lending agencies. The total cost of management of all the central banks

amounted to Rs. 21,000, inclusive of office expenses and supervisory charges. This is a very meagre expenditure, in relation to the nature of the banks' dealings and the important role in the movement now assigned to them. It would have been interesting to have from the report information about the inspectorial staff of the banks, for until this is adequate it would be unwise to thrust on the banks new responsibilities such as the financing and supervising of guaranteeing unions. Although, in theory, the Registrar has accepted the view that the area of a bank need not be coterminous with that of a revenue district, in practice every district bank is supposed to have affiliated to it, irrespective of its own financial resources, all the primary societies situated in the revenue district commanded by it. The result is that as the resources are not adequate enough, prompt and full finance becomes an impossibility and an indirect ban is put on further progress owing to the inability of the banks to finance additional societies. The experience of almost every province is discounted, and the starting of banks for smaller, compact, well-developed areas discouraged, particularly if such areas happen to fall within a district already served by a district central bank. On the other hand, the Department have treated Sind as a Province by itself, and permitted the central bank in Karachi to serve as a provincial bank for Sind, and finance subordinate district central banks, thus introducing an additional intermediate agency without any corresponding advantage in the shape of increased resources, better supervision or reduced rates of interest. Another unsatisfactory aspect of this new policy is the discouragement of guaranteeing unions. This agency was deliberately introduced in the movement with a view to serve as a connecting link between the Provincial Bank and primary societies. But as unions do not conveniently fit in in the new order of things and in view of the liability they undertake and the expenses they incur on supervision—exceeding those incurred by district banks—expect better financing facilities and increased credits, which district banks cannot provide, they are condemned and discouraged. Their number increased by two to 66, and they serve 409 societies commanding a working capital of 47½ lakhs. Their expenses on supervision increased by fifty per cent. to Rs. 15,080.

Mr. Rothfeld deals at some length with the question of State aid and State control. He favours the granting of increased subventions to educational, propagandist, and supervisory bodies as the most suitable form of State aid and approves of the present policy of refraining from granting direct financial aid except to special types of societies such as housing or weavers' societies, or producers' societies, which owing to their special conditions cannot at the outset command good credit in the money

market. With these propositions there will be general agreement. There will also be general agreement with his view that neither Government nor co-operators should contemplate any rise in the proportion of officials employed for a given volume of work and that both should aim at engaging as small an official staff—particularly of the higher grades—as is compatible with the adequate discharge of the duties imposed by law upon the Department. Co-operative institutions themselves should undertake the tasks of organization, supervision, and collection of dues. Mr. Rothfeld also accepts, in theory, the non-official position in regard to the more controversial question of State control. He would divest the movement of any undue official apparel and transfer its internal guidance and development to non-official bodies. But these clauses he would qualify by the addition of the vague terms: “as far as possible” and “within accepted limits”. It is the interpretation of these modifying phrases that gives rise to controversy and that hampers transference of power. No non-official co-operator objects to the Registrar exercising directly his statutory functions such as registration, audit, arbitration, cancellation, or liquidation. But these are not the questions that trouble co-operators, what they feel is that though some of them are, as a matter of grace, consulted in the revision of model bye-law, the framing of rules, or the introduction of far-reaching changes in policy, they have no direct control over the policy of the movement, nor any hand in the moulding of the lines of development. The Institute, Mr. Rothfeld writes, will play an ever-growing part in the direction of the policy of the co-operative movement in the Presidency, but the Institute at present is only a consultative and advisory body, and it is not the Institute but the Co-operative Department that lays down the law for the movement to which the former must conform. That position must change, and the Co-operative Department should be merely an executive authority carrying out the policy and programme defined by co-operators through representative bodies, such as the Institute or Conferences.

#### MYSORE

It is a matter for regret that the annual report of the working of co-operative societies in Mysore is published over a year after the close of the year to which it relates. It loses much of its interest for that reason. The year 1919-20 witnessed a fairly satisfactory amount of progress achieved, and the report breathes a spirit of optimism which was lacking in the preceding two or three reports. The total number of societies was, 402, of members 92,679, and of the working capital Rs 78,00,000. The figures are nearly double of what they were in 1914-15. The net increase for the year in the number of societies was 169, the cancellations being 23 and the fresh registrations 194. Among the new societies were 41 for

the development of agricultural co-operation, and for industrial co-operation, 19 stores, 36 grain banks, 12 societies for the depressed classes, one building society and the remaining credit societies. The number of agricultural societies rose from 1,030 to 1,162, their membership from 47,860 to 51,942 and their working capital remained practically stationary at 24 lakhs. No less than 1,117 were credit institutions, all except 110 having unlimited liability. Part of the capital is raised by shares of Rs. 5 to Rs. 10, payable in monthly instalments of annas four to eight. These bear a dividend of  $7\frac{1}{2}$  per cent. The total share capital of the societies amounted to  $10\frac{3}{4}$  lakhs, and the reserve funds to nearly two lakhs. Deposits from members were 1.63 lakhs and from non-members a little under a lakh. There was no increase in these figures during the year under report, and the societies seem to have succeeded to a very small extent in inculcating habits of thrift and attracting local savings. Overdues are heavy and amount to nearly a third of the total outstandings. As may be expected, there was a large increase in the number of disputes, referred to arbitration although it is only in a few bad societies that cases of arrears have to be disposed of in this manner. Mr. Ranga Rao fears that it may be necessary to adopt coercive measures against hopeless defaulters.

The number of non-credit societies should be 45, but the report speaks of 51 societies for the supply of seed, agricultural implements, and manure, two societies for lift irrigation, two for dairy-farming, and one for cattle breeding. Efforts were concentrated during the year on the organization of the supply of seed through co-operative agency, and about 250 pallas of a tested variety of ragi seed, were distributed among the societies to be sown on compact blocks of 30 to 50 acres. A small quantity of paddy, sugarcane and hemp seed was also given out, and in addition to the separately registered societies, a certain number of ordinary credit societies took part in this work. Of the lift irrigation societies only one works satisfactorily. It consists of about a dozen members who hold a compact block of about twenty acres. The society owns a pumping plant which was purchased on the hire purchase system but whose cost has now been paid up.

The number of non-agricultural societies increased during the year from 184 to 222, the membership from 34,223 to 38,243 and the working capital from Rs. 29,54,051 to Rs. 34,13,795. 137 were credit societies, all except 18 of the unlimited liability type. These had a working capital of thirty lakhs, mainly owned. The number of co-operative stores increased during the year from 39 to 60 and the membership from 9,000 to 10,000. The total sales aggregated to 11 lakhs. Co-operative societies were:

in addition, used as agencies for the distribution of rice imported by Government. The societies were given short-term credit, and the rice made available to them at various depots was sold to members and non-members at cost price. 200 societies took advantage of these arrangements, and distributed 60,000 pallas during the year. Among co-operative societies for the development of industries, the premier place is taken by weavers' societies which numbered 40 at the close of the year. They had a membership of 1,900 and a working capital of Rs. 1,37,630. They sold raw materials to members and arranged for the disposal of their finished products. Nearly a hundred fly-shuttle looms were placed at the disposal of the societies and some of the societies have gone in for improved implements, including appliances for winding, twisting and warping operations. On the recommendation of a committee of inquiry, the Government have authorized the Registrar to make advances to weavers' societies to an extent not exceeding Rs. 50,000, and a sum of Rs. 18,500 was loaned out to three societies. A technical assistant has been appointed to help the Registrar in this part of his duties.

Among other industrial societies, there were five for sericulturists, two for sandal-wood carvers, two shoe-makers and one each for ivory-inlayers, jewellers, brass-workers, and oil-mongers. There is also one society composed of the lady teachers and students of a girls' school for improving home industries. The three rice-hulling societies have proved a failure and are likely to be wound up; the two jaggery manufacturing societies are also reported to have fared no better. Societies intended exclusively for the depressed classes increased in number from 22 to 29, while ordinary credit societies were advised to admit the depressed classes freely to membership. Inclusive of 36 grain banks started during the year, the total number of such banks was 51. In these societies *ragi* is collected at harvest-time and is advanced on fair terms to such of the members as find their stock run out before the next harvest. There are few house building societies in the State, whose main object seems to be the purchasing of house sites, the granting of advances to members for the construction of houses, and only occasionally the supply of building materials and the building of houses for members.

The financing of the movement is carried on mainly by the Bangalore and Mysore Central Banks. The former institution performs the work both of an urban bank and a central financing agency, and though the amount of its capital of ten lakhs is equally divided among individuals and societies, during the year under report Rs. 1,47,616 were advanced to societies; as against Rs. 3,68,236 advanced to individuals. But the figures of its advances and outstandings exceed those of the Mysore Provincial Bank, an-

institution lending only to societies and started in accordance with the recommendation of the Committee on Co-operation. This Bank advanced Rs. 87,580 to societies during the year 1919-20, and had Rs. 4,36,037 outstanding from them at the close of the year. Exclusive of the working capital of these banks, amounting to 16½ lakhs, the working capital of the remaining 16 central societies was only 3½ lakhs. There were two district central banks and a new one was registered during the year. The bank at Mysore had a working capital of a lakh and a half, half of which was invested with societies and half with individuals. Of the two other societies classed as district banks, one had a working capital of Rs. 15,000 all invested with societies and the other had not commenced working. The remaining central societies are spoken of as federal banking unions, although they have individuals as members. They serve areas smaller than a district, but no attempt seems to have been made to organize them on sound lines and only five commanded resources exceeding Rs. 10,000.

## REVIEWS

### Annual Report of the Irish Agricultural Organization Society.

The annual report of the Irish Agricultural Society for the year ending 31st March 1920 is as usual a well-written and interesting document. Owing to the critical times through which the country has been passing, many societies either failed to keep records, or did not furnish them to the central organisation. The closing of markets and fairs, the difficulties of transport, and the general uncertainty as to future conditions were bound to have an adverse effect both on production and marketing. Still, there is abundant evidence in the figures of the report that, apart from the credit side, the movement in Ireland continues to make steady progress in every branch of co-operative activity. Societies of all kinds increased in number from 950 to 1,028, with a total turnover of 11 million pounds, and an average turnover per member of 83 pounds. Membership has gone up by 17,885 to 1,35,667. It is gratifying to note, after the financial difficulties of the past, that there has been substantial increase in subscriptions and affiliation fees.

Most of the progress is to be found in the general purposes' societies, which have added 71 to their number, and 15,514 to their membership. These societies are now doing more than two and a half times as much business, measured in volume, as was being done when they were still in the seed and manure agency stage; and it certainly looks as if, as suggested



in the report, this type of society is in Ireland the standard type for a good while to come. It has still many difficulties to face. The country shop-keeper is still an opponent to be reckoned with. Suitable managers have not always been forthcoming owing to the disturbed state of the country. The position is not only one of great responsibility, but also of considerable personal risk. Societies do not always recognise the expediency of getting a good man, and of paying him well. A co-operative training is now admitted to be essential for the manager of a co-operative society, however efficient a business man he may be, and a scheme of training is being worked out.

The credit societies are more or less at a standstill, and the question of winding up the central co-operative society has arisen. In Germany, the credit societies organised to solve the problem of rural indebtedness, in many cases now cover the whole field of the economic needs of their members. In Ireland the general purposes' society has arisen to discharge this task, and it seems doubtful if the credit societies will survive.

Poultry societies number 11 with a turnover of 246 thousand pounds. One notes that transit losses are frequent, whilst 'an orgy of pilferages and breakages' appeared to mark certain portions of the year. Evidently, we in India are not alone in our difficulties under this head.

It will surprise many to read that the creamery movement has done little more than hold its own. Milk production in Ireland has been steadily declining for the past four years, although on account of the rise in price the actual value of the output in money has increased. Various causes are assigned for the decline, (which is specially marked in Ulster,) such as the scarcity of skilled labour, the high prices realised for beef, the improvement in the beef-producing qualities effected at the expense of milk yields, and the ravages of contagious abortion. In Ireland butter-making may be described as a key industry, for the interests of the store and of the cattle and pig breeding industries are intimately bound up with it. A Departmental Committee has investigated the decline and some of the suggested remedies may be of interest in a milk and Ghee consuming country like India. Briefly stated, they are (1) a comprehensive series of tests of milking machines, so that expert advice may be available for dairy farmers, (2) the fixing of parity prices for dairy produce generally, (3) the grading up of dairy stock by mating selected cows with purchased short-horned bulls of milking strain, (4) cow-testing and the keeping of milk records, (5) the education of farmers to retain their best cows for breeding purposes, (6) the preventive treatment of contagious abortion, with restrictions on the movement of infected animals, and (7) the

establishment of a Dairy Institute to provide improved education in the science as well as the practice of dairying, and to carry on reached work.

Some of the creamery societies have taken up flour milling as an additional enterprise, and the extension of activity in the 'general purposes' direction is advised for all such societies. It is noticeable that the proprietary creameries do not rely on butter alone, but trade in other commodities too.

The first agricultural wholesale society has had an increase of 69 in the number of its federated societies, and its sales went up 45 per cent. beyond those of the previous year. It still suffers from an insufficiency of owned capital, and inordinate demands for extended credit from its constituent societies. More capital provided by the societies, more loyalty in trading, and more punctuality in settling accounts are required.

It has been the proud boast of Irish co-operation that it is the only movement which every variety of political opinion in the country has accepted (sometimes, it must be admitted, after considerable hesitation) as a recognised element in national welfare. It is now passing through a severe trial. The attacks made upon creameries and other co-operative property, and sometimes upon their employees personally, have caused great material damage, whilst the consequential damage, and the moral damage to the movement is past reckoning. The whole question was still under enquiry when the report was issued, and the A. O. S. was pressing for protection and redress through the Co-operative Congress.

W. W. P.

**Law and Principles of Co-operation in India.** By H. Calvert.

(Thacker Spink & Co, Calcutta.)

Since the time the first edition of this work was published. Co-operation received much fresh stimulus abroad under the distressing but inevitable influence of the War. As a result, co-operation has come to occupy a specially favourable position, and its effects both social and economic are being investigated in countries that have successfully adopted it. The great practical lessons of this War have been taken to heart by politicians and statesmen of every country, who have begun to see in co-operation in agriculture a most potent force in endowing it with the requisite staying power, especially in times of distress and of economic blockade. The War has naturally given a rude shock to many of the favourite theories clung to by economists and politicians,

and it is inevitable, perhaps, that co-operation the most important potential force in the national economics of a country should not fail to attract notice. Mr. Calvert has, therefore, been rightly led, under the circumstances, entirely to recast his original work in the new light. In the second edition under review, he embodies with great effect, the views, opinions, and experiences of many of reputed foreign writers and workers of different shades of thought on the subject and also refers to recent pronouncements and writings on the subject in this country. He has introduced special chapters on "What is Co-operation?" "Co-operation and its Alternatives", "The Objects of a Co-operative Society", "Liability and Interest", to make the subject matter of his book extremely interesting. In point of clearness of thought and depth of judgment, the work will occupy a high place in co-operative literature. It is essential to the stability and growth of the movement that the basic principles of co-operation should in this country be widely understood and assimilated and that correct views should prevail towards the goal which co-operation sets before itself. Mr. Calvert's book is the only one published that has steadily kept this aim in view.

There is a general tendency among the public, imbued as they are with capitalistic ideas, that co-operation is mainly the concern of the poor peasant and that it is not worthy of any serious study. To such sceptics, Mr. Calvert gives an excellent reply in his chapter on "What is Co-operation." In answering the latter question, Mr. Calvert quotes many learned authorities and deduces a clear definition as to what is co-operation, and indicates, by illustrative examples, how it aims at moral uplift and material advancement. He challenges doubters to present an alternative method of making a country prosperous if the co-operative system in their opinion is not the right remedy. His next chapter is taken up with co-operation and its alternatives. He explains how co-operation is really different from other forms of association such as capitalism, co-partnership, socialism, and trades-unionism. Though partaking of the nature of some and adopting the methods of others, it is, in his view, superior to them all. It is to be regretted, however, that Mr. Calvert mainly bases his conclusions on the utility and value of co-operation in the industrial sphere only, and makes only a passing reference to its place in agricultural development. "In agriculture", he says, "it would seem to be without a serious rival when holdings are too small to permit of capitalistic management". Ever since the introduction of co-operative credit in this country there has been much controversy among economists and publicists about the ability of co-operative credit to solve the problem of rural indebtedness. Sir D. E. Wachha and others who desire to see

agricultural land mortgage banks established all over the country in preference to the existing system, are strong critics of co-operation, as are also some of the latter-day economists. The author, therefore, would have done well to have pursued his studies in the agricultural sphere, and treated at some length the comparative advantages of co-operative credit and the system obtaining in Egypt which is usually recommended for adoption in this country. Though it is true that the consensus of public opinion favours the development of co-operation in all its aspects, yet a book of general reference like the present one should have contained some reference to the controversy. Mr. Calvert is specially qualified to speak with authority on the subject, moulding as he is the policy of the movement in a province in which members of agricultural societies are reported to have paid off 20 lakhs of prior debts from year to year through the medium of their village co-operative institutions, without any external assistance. The omission, therefore, is to be much regretted, and it is to be hoped that the suggestion will receive due consideration at the hands of the author if another edition is to be issued.

The succeeding chapter on "the Objects of a Co-operative Society", should be of interest to co-operators in this Presidency, where the question of combining in a single society of several objects aimed to promote the economic welfare of members has been complicated by the introduction of a rigid system of classification and the attempt to build a policy on it. Mr. Calvert shews by reference to continental practice how the opposite tendency has gained ground and how the evolution of a general purposes society is being looked on with favour and works well in practice, combining, as it does, efficiency with economy of management. His last two chapters on interest and liability are treated historically, and contain much matter useful to students of co-operation. Though the book is mainly intended for the instruction of auditors, inspectors and propagandists, and gives definitions, extracts and other details necessary for their use and information, yet it has supplied a real and long-felt want of a complete annotated edition on co-operative law, and as such is extremely useful to all co-operative workers. There is, finally, one matter which needs to be brought to the notice of the author. The price charged by the publishers is Rs. 7-8-0, which, though small compared to its intrinsic worth, is sufficiently high to place it beyond the reach of ordinary readers.

K. R. K.

## EDITORIAL NOTES

This is the heading of a chapter of absorbing interest in a new volume of essays by the Irish poet and co-operator A. E., published under the title of "Imaginations and Reveries".

**Ideals of the  
New Rural So-  
ciety**

A. E. deplors the fact that in a country like Ireland where political agitations follow each other in rapid succession there is very little construction bestowed on the evolutions of the ideals of a rural civilization. This statement is applicable to the present day conditions of India, where despite the importance of rural communities as forming the bulk of the population, not much thought is devoted to the solution of problems of rural economics, and to the formulation of the ideals which will inspire the future policy of the State towards working men and women in rural India. "Without an imaginative conception of what kind of civilization we wish to create", proceeds A. E., "the best Government, either national or foreign, will never avail to lift us beyond national mediocrity." A. E. describes what he considers as the correct line of action. It is necessary first, he writes, to create and realize the feeling for the community and break up the petty isolation of man from man. In the economic sphere, the sphere that most affects the lives of the mass of men, and particularly among communities dependent for their livelihood on agriculture, the organization of the community in co-operative associations appears to provide the most effective instrument for training the population in the pursuit of combined action for common good and in teaching them to be self-reliant and self-contained. There were to be found people in Ireland who said—as many say to-day in India—that the countryside is stupid and backward, and incapable of organized action. The successful development of agricultural co-operation in Ireland has shown that such cynics were needlessly pessimistic. The shaping of the rural life of Ireland can now safely be entrusted to its farmers who will, under the inspiration of patriots and poets, always strive passionately to build up its rural civilization better. Unless the men and women in the countryside are fired by this vision and kindled by the thought of great deeds, the rulers and officials will continue tinkering at the body of the nation when it is the soul that requires to be healed and made whole. It is only when the mass of men are thus moved that there is hope of any sound and permanent reformation, for a nation can after all exhibit no greater political wisdom than it generates in its units. As A. E. finely observes, "it is the pregnant idealism of the multitude which gives power to the makers of great nations, otherwise the prophets of civilization are as helpless

as preachers in the desert and in solitary places." And this great work has to be done not vicariously, but directly and personally, for only the aggregate activities, of all its people can elevate a nation to greatness. The work of organizing a community into co-operative organizations is, in comparison with political activities carried on with the nation at gaze, of an humble order, although, as A. E. suggests, equally great work may be done in a parish as in the parliamentary assemblies sitting under the eyes of the whole nation. When thus a national purpose is evolved, appealing to the humblest members of the community, it will form the most unconquerable and victorions of all things on earth.

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A. E. is evidently against the new social order being fostered under the auspices of the State, and the happiness of the community ensured by the initiation of socialistic schemes fed by State aid. The beauty of great civilizations, he asserts, has been built up far more by the people working together than by the action of the State. Even if the State were to do twice as much as it does, no nation would, A. E. believes, rise out of mediocrity unless the men and women constituting it have unlimited faith in the power of their personal efforts to raise and transform their country and are prepared to translate their faith into action. Man wants an ideal before he works whole-heartedly, and, therefore, while the State can give a man economic holding he will feel it a dull business to grind away at work unless he has before him some noble end to be served. The spirit of the community is one such ideal, and the co-operative movement bases its appeal on this truly communal idea, which, A. E. points out, "the socialists miss in their dream of a vast amalgamation of whole nationalities in one great commercial undertaking." The true idea of the commune in which the personal tie is maintained between the various units has always instinctively appealed to the imagination of the bulk of humanity, whether in the ancient tribes and clan or in the latter-day rural communes and guilds, and in modern parishes and trade unions. A rural commune, according to A. E., will have to a large extent the character of a nation. It should manufacture for its members all things which it profitably can manufacture for them, employing its workmen for the purpose. It should aim at feeding its members well and cheaply as far as possible out of the meat and grain produced in the tract. It should sell for the members their produce, and buy for them their requirements. Out of its profits it should build halls, libraries, places of recreation, and should hold it as its aim to afford to its members every social and educational advantage enjoyed by larger and wealthier communities in any civilized country. The commune will have its

council or village parliament where improvements and new ventures can be discussed. Soon, there will be generated among the members of the community a passionate devotion to its ideals and interests, and these individuals will of their accord identify themselves wholly with the fortunes of their association. Work in such an organization should kindle and quicken the intellect of every individual in the community and create an atmosphere in which national genius would emerge and find opportunity for activity. And as the State can have no social purpose but the co-ordination of the activity of several such communes, associations and guilds, such communes will, concludes A. E., become the ante-chambers of the nation, and the training-grounds of its statesmen.

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At a farewell gathering held on the eve of his departure for England on leave, Mr. Rothfeld is reported to have observed that as the success of the movement lay in **Loyalty** all societies and individual co-operators should be impressed with the paramount importance of insisting on loyalty. By loyalty, Mr. Rothfeld meant not only loyalty to the societies and institutions of which individuals were members. He used the term in a comprehensive sense and emphasised that it was absolutely necessary, if the movement was to progress, to secure loyalty to the decisions arrived at, the policies pursued, and to the logical deductions from such decisions and such policies. He went further and said that lack of such loyalty should be punished by expulsion from the folds of the co-operative movement. While propounding this new tenet of the co-operative gospel, Mr. Rothfeld, however, loses sight of a factor that vitally affects the question. Even in the world at large, the days of bureaucracy and autocracy are gone, and co-operative commonwealth cannot but be based on principles of self-determination and self-reliance. For, that is the very basis of co-operation, and unless the co-operative movement is self-directed and self-controlled it is a fraud, misquerading in the guise of a popular movement. If the policies and the decisions to which Mr. Rothfeld adjures loyalty are the policies and decisions of the Registrar and his Department, policies and decisions in the shaping of which co-operators have, at the best, only a nominal share, one wonders how it is incumbent on them to pledge their loyalty to such policies and decisions. The enforcement of these decisions also vests in the Registrar and his Department, and it is they who prescribe what they imagine to be the logical deductions of the policies and decisions. And so long as this continues, co-operators are bound to feel that they do not owe any loyalty to such of the decisions as they find themselves in disagreement with. They are, after all, outsiders and critics, and it is their duty as well as their privilege to criticize plans

and programmes. Even under self-governing organizations this right of criticism cannot be withheld, while it would be nothing short of a disaster to deny it to co-operators at the present stage of the development of the movement, when, for all practical purposes, the controlling voice in the movement is that of the Registrar and his Department.

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In the last issue of this journal, some reference was made to the results of the Provincial Conference which was held some time before the date of the issue of the September number of this journal. The Conference opened with a speech by Sir George Lloyd containing a very exhaustive survey of the present tendencies and progress of the movement based mainly on the administration report, and as the report itself has been reviewed at some length in the current issue no further comments are necessary on the opening address at the Conference. This address was followed by a speech by the Registrar reviewing the action taken on the resolutions of the previous year's work, a duty which was should in future be performed by the Secretary of the Central Institute. The most important of the resolutions of the Conference were referred to in the last issue. It is to be hoped that, in pursuance to the first resolution, the system of normal credits for individual members of agricultural credit societies will be introduced without any further delay all over the Presidency, and while establishing the control of members as a body over the lending operations of their societies ensure to borrowers the grant of prompt and adequate finance. The Conference wisely disapproved of the proposal to permit agricultural credit societies to accept current deposits, and favoured the acceptance of short term and savings deposits by such of the societies as were able to make suitable arrangements for meeting withdrawals. For the guidance of societies and their financing agencies, it was suggested that primary societies should submit periodically statements of incomings and outgoings on the basis of which statements, they could, if necessary, arrange for fluid resource. The theory has been propounded that agricultural societies with unlimited liability should, like societies with a limited liability, have their borrowing capacity restricted to their owned capital or to a multiple of it, a view which finds no support either in the theory or practice of co-operative credit. The Conference rejected this theory, though the vagueness of the wording may leave scope for misinterpretation of the principle underlying the resolution. From the last administration report of the Registrar, as well as from other sources, there has come into existence the general impression that the Departmental authorities believe that guaranteeing unions do not serve any useful function under their present constitution, and that as they do not fit in easily with the scheme of things.



which holds all interests subordinate to the evolution of strong *district* central banks, the formation of fresh unions should be discouraged if the entire system be not scrapped immediately. A resolution of the Conference controverts this view and goes on to assert that the system of guaranteeing unions should be strengthened as an integral part of the co-operative organization in the Presidency, and that the formation of new unions, when demanded by primary societies in a local area, should not be discouraged. The Conference also emphasised that while the form of guarantee should remain indirect as at present it should be made effective by assisting on a reasonable standard of supervision and control as a condition governing the grant of large credits. The suggestion of Mr. B. F. Madon and others that the margin between borrowings and lendings should be increased particularly in central financing agencies met with a good deal of opposition. Without a reasonably wide margin between the two rates, it will be impossible for central banks to provide fluid resource, and to engage adequate staff for supervision and control the responsibility for which, the Conference agreed, should rest with central financing agencies.

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The question of the relief of agricultural indebtedness was brought up prominently before the Conference in a number of **Other Resolutions** papers, and the Conference resolved that systematic attempts should henceforward be made to redeem from their debts members of such societies as have been in existence for some years and possess a record of good management. In such societies, cases should be selected of members who have shown themselves to be thrifty and capable of utilizing their loans properly and are prepared to give an undertaking not to have recourse to borrowing from outside agencies, and complete schemes of liquidation should be prepared. While the Conference did not favour the starting of general purposes societies, which have proved very successful in Ireland and Germany, it approved of the proposal to permit selected credit societies to purchase agricultural requirements on the indent system; unions also should interest themselves in the purchase of goods for members and the sale of produce. To end the complications caused by the present system of distributing Tagavi to agriculturists who are members of co-operative societies, the Conference recommended that Tagavi should be given to members of co-operative societies only in years of scarcity and that no loans to such persons should be made under their Agricultural Loans or the Land Improvement Acts except through the respective societies. It was further suggested that no applications for advances should be granted unless recommended by the financing agency to which the applicant societies were affiliated. The Conference advised

appointment of a committee to investigate the difficulties of co-operative credit societies in famine areas and to frame definite recommendations. On the subject of the consumers' movement, no definite proposals were made, except in the direction of emphasising the need for further propaganda, and the desirability of the Special Assistant Registrar for Purchase and Sale Societies carrying on the work of a central information bureau until a new wholesale store came into being. From the wording of the resolution on this subject it is evident that the representatives of consumers' societies do want a wholesale buying agency, and that the Registrar's policy in bringing about the cancellation of the wholesale society started in 1920, was not based on the opinions of representative co-operators. A committee was appointed to arrange for the formation of a union among co-operative housing societies in the city of Bombay, the objects of which body would be to finance the affiliated societies to negotiate for the acquisition of land, to purchase building materials, to arrange for transport, and to secure expert advice for the affiliated societies. Reference was made in the last issue of this journal to two other resolutions, one of which recommended the grant of facilities enjoyed by co-partnership housing societies to tenant ownership societies on their fulfilling certain conditions. The other resolution related to the appointment of a committee to consider which of the non-statutory functions of the Registrar should be transferred to non-official co-operative organization.

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The Conference also expressed its approval of the proposal to organize labourers' co-operative societies of the Braccianti type. The constitution, functions and working of this type of society are examined at some length by Mr. Rothfeld in the course of an interesting article published in the July number of the Bengal Co-operative Journal. The object of these societies is to enable working men to combine their labour to the best advantage in direct touch with their ultimate employer. The institution in which they combine for their contracts joint profit with the ultimate employer, instead of individuals having their labour engaged and paid for by intermediate contractors, who generally act as exploiting middlemen. The first of such societies was organized in Italy in 1883 and their number now extends to nearly 300. The societies undertake repairs of roads, scavenging, construction of railways or ports and similar public works. The internal management of each society is carried on by three committees, one is an executive-committee of workers responsible for the policy and the other a supervisory committee responsible for the accounts and the observance of rules and regulations, and the third a technical committee consisting of an engineer and a secretary with some legal training,

whose business it is to look after the execution of contracts, the settlement of wages and salaries and the distribution of work. The societies are generally composed of members following one trade or one branch of a trade in order to ensure solidarity, discipline, and compactness. But when in the execution of a contract it is necessary to obtain the assistance of workers in other trades, the societies freely combine with kindred societies for allied trades, all of those combining together in a federation. Where federations exist it is they who tender for contracts. To meet emergencies when urgent work has to be executed which is beyond the capacity of members, outside labour can be engaged, on payment of wages; similarly to provide against unemployment work is distributed among members by rotation. After the payment of a fixed rate of interest on the share capital, the profits are available for distribution among members in proportion to the amount of work done by them. Capital is provided, in Italy, through the Institute Nazionale du Credite and by direct advances from the Government, and the certificates from the public bodies, whose works are carried on, serve as security for the advances. Discipline is enforced through foremen, who are nominated by the executive committee, subject to the approval of the general meeting. The foremen are responsible for the supervision of the men and for the preparation, checking, and payment of pay-sheets. Members are liable to expulsion in case of friction or disobedience, and the societies are dissolved if the membership goes under twenty. Mr. Rothfeld's view seems to be that the sense of discipline is not so keen in India as to be depended upon to secure efficient service without extraneous stimulus. That is a myth which can only be exploded when a freer atmosphere is obtained for India and its workmen. He also finds that cohesion, self-sacrifice, and joint action are not to be found among Indian workmen, a statement falsified over and over again by the Hartals and strikes which provide a convincing exhibition of the feeling of solidarity among those who combine for a common end. Disputes there will be at the outset, there may be some favouratism exercised by office-bearers, and in any case no action is possible without a preliminary propaganda by earnest and devoted workers. Another difficulty which Mr. Rothfeld mentions is more serious, particularly in relation to the growth of this movement in Bombay and other industrial centres. Where the demand for labour is in excess of the supply, and labour enjoys good wages, there is no inducement for it to spend time over the work of organizing a novel institution and pledging its loyalty to it. It is only where conditions are similar to what they were in Italy, and labour is cheap and plentiful and finds itself easily exploited that an educational propaganda will have good effect. Such conditions prevail in South Kanara where the pioneer

attempt in this direction was made. Broach has already started a society on the lines sketched above, and if the experiment turns out successful there is no reason why all the industrially backward parts of the Presidency should not be studied with co-operative societies of labourers, tendering for and executing contract for municipalities, local boards and the public works departments.

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The extension of this conception to agricultural labour might, as Mr. Rothfeld goes on to observe, lead in time to a beneficial and almost revolutionary change in the conditions of Indian agriculture. For, if small tenants and occupants combine to pool to their holdings or to lease land jointly on any considerable scale, they should be in a position to undertake improved and more economic methods, both of production and of purchase and sale, than can at present be even conceived of by the average agriculturist. The Provincial Conference has resolved that in suitable tracts in the Presidency, societies for joint farming be organized, that in such societies the whole credit of the members including their interest in their land for one or more years should be pooled, and that joint cultivation and joint expenditure be undertaken on their joint credit. The societies should, the resolution proceeds, interest themselves in the development of irrigation facilities, land improvement, introduction of approved implements, manures, and seeds and the organization of secondary industries allied to agriculture. In the discussion on this subject at the Provincial Conference, the hope was expressed that an experimental society of the type sketched above should be organized without delay in the district of Ahmednagar, and that all the preliminary work should be undertaken by the group of leading co-operators who were to interest themselves in the project. The hope was also expressed that the commencement of the work would not be delayed, and the psychological moment allowed to slip by because of the lack of suitable bye-laws to be adopted by the society or for other technical objections. A society of this type has already been organized at Malsiras in Sholapur, in which the lessees hold in common and cultivation is carried on jointly. But the society has not yet been accorded the privilege of registration. Mr. Rothfeld himself appears to harbour some doubts about the possibility of this movement succeeding among Indian agriculturists whose illiteracy and want of discipline are, he believes, great obstacles to progress. Another difficulty that exists in many places is the prevalence of high rentals which can leave no room for profit in cultivation either by individuals or societies. But in the tracts which the Conference had in view, agricultural land would be easily available, and the only thing lacking would be unity of aim and action among

local agriculturists. Even if one grants that Mr. Rothfeld is right in assuming that agriculturists in the Deccan are incapable of joint action and persistent disciplined efforts, neither public opinion nor the State should sit content. If such is the position, both should by educational propaganda foster the desire for progress and instil a sense of loyalty and a feeling of solidarity where these are wanting. It is only then that Indian agriculture will witness the dawn of a new era.

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Co-operators in this Presidency may recollect that at the Provincial Conference of 1920, Mr. Rothfeld had put forward a proposal suggesting the creation of an advisory board to assist the Registrar in the discharge of his functions. Consideration of the proposal was postponed to the succeeding Conference in view of the fact that the members of Conference had not had an opportunity of examining the details of the scheme and appreciating its bearings. The Registrar and the Director of Agriculture submitted the proposal in a modified form to the Board of Agriculture at their last meeting and pleaded for the formation of a central joint board to direct the policy and working of the two Departments with a view to secure the co-ordination of their activities. This proposal was examined by a sub-committee of the Board and generally approved by it, but it does not seem to have met with the approval of Government. Opposed as this journal was to the creation of an advisory board for the co-operative organization, it does not view with regret the decision of Government. The standpoint of the journal and other co-operators was that if the Registrar stood in need of advice and guidance, he had available for purposes of consultation a representative body, namely, the Institute, and that the constitution of another body composed partly of ex-officio members and partly of nominees of the Registrar would delay the transfer of the functions of the Registrar to non-official agency. The view was also held that the control of the policy of the movement should vest in the Institute or a similar representative body and not in any extraneous committee not directly responsible to the movement for its decisions. These views may not have weighed with the Minister in charge of the Departments of Agriculture and Co-operation in rejecting the recommendation of the Board of Agriculture, but the fact remains that the scheme has been vetoed, and with that we imagine has been seen the last of the project of a central advisory board. Wherever created in connection with the work of the Department of Industries or the Development Directorate, such boards have generally failed in their purpose and have succeeded neither in satisfying public opinion nor in affording real assistance in the work of the Departments concerned.

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The Hon. Mr. Chunilal Mehta has, however, not contented himself with this negative action, but has put forward his own programme for securing the co-ordination of the activities of the Departments of Agriculture and Co-operation, and for associating non-officials with the work of the Departments in its lower stages. The Press Note on the subject which is reprinted elsewhere in this issue, fully explains the aims and scope of the divisional joint boards which Government contemplate starting, each for an area where agricultural conditions are more or less uniform and which has a common language. The boards are to be business committees of six members, two of whom will be officials and four non-official, two to represent agriculturists and two the co-operative movement. The senior official member is to be the chairman of each board entrusted with the duty of convening meetings and of carrying on correspondence. This may be altered and the boards left to choose their own chairman who should preferably be non-official. It is only then that the boards will represent something beyond the routine of the Departments, and the non-officials cease to feel that they are part of an official machine. The method of selecting the members is not set forth in the Press Note. If the boards are to maintain touch and work in harmony with what co-operators look upon as their representative organization, it is essential that the members representing the co-operative movement should be elected by the divisional branches of the Institute, or for an area not corresponding to the divisional branch by the taluka branches. Similarly, the members representing agricultural interests should be elected by taluka, district, or divisional agricultural associations as may be found most suitable in the different areas, or where such associations do not exist be nominated by divisional or local conferences of agriculturists.

Among the functions of the Boards, the most important will be to control the portions of grants by Government assigned to each division for the loans to agricultural societies, now in charge of the Registrar, and of the discretionary grants for propaganda purposes placed at the disposal of the Director of Agriculture. The Boards will also advise on the application of the policy of the two Departments within their respective division and will have power to call for information and data relevant to their functions from the Departmental officers. Recommendations of the Boards when requiring the approval of higher authorities will be considered by the Registrar and the Director of Agriculture sitting jointly, and in case of disagreement matters have to be sent up to the Minister for decision. The Press Note also lays down that the propaganda work of the Agricultural Department should preferably be done in connection with co-operative unions or primary societies

where unions do not exist central banks, as constituted in this Presidency, are not likely to provide good agency for agricultural propaganda but it may be suggested that when work of a commercial nature—such as the supply of seed or manures and implements or the sale of produce—is undertaken in any area it should be conducted through the agency of or at any rate in consultation with the central bank serving that area. Similarly, it may be suggested that where purely educational propaganda is undertaken, such as the holding of meetings, organizing of lectures, issuing of leaflets or posters, publication of journals, it should be done in collaboration with the branches of the Institute, divisional, district or taluka as may be found most suitable. In fact, there should grow up a convention of the boards and the branches working in close co-operation and holding joint sittings periodically. It is only then that an effective co-ordination of the activities of the two movements can be brought about.

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The investigation into the economic condition of members of co-operative societies which was initiated in Mysore some years ago, is, it is observed from the latest report on the progress of co-operation in the State, being continued. **Economic Inquiry in Mysore** Inquiries were conducted during the year 1919-20 into the position of members in nearly one hundred societies, and inclusive of these the total number of societies brought under inquiry was 370. The operation of these extended to 1,800 villages, with a population of 8,94,000. The membership of the societies was 24,350, of whom 8,950 were returned as having no outside debts. The remaining 10,400 members when they joined co-operative societies had debts with money-lenders to the extent of Rs. 39,51,000, while their total assets were valued at Rs. 39,50,000. At the time of investigation the indebtedness had increased to 42 lakhs and the assets had risen to two crores and thirty lakhs, 20 lakhs were due to societies and 22 to money-lenders. Although the enquiry was not conducted on a scientific and systematic basis, the uniformity of the results obtained naturally induces one to deduce some general conclusions. Mr. Ranga Rao, the Registrar, controverts the conclusion that while societies may have succeeded as money-lending institutions, as institutions for the promotion of thrift they have proved a failure. It is true, as he remarks, that the movement in Mysore has attracted nearly three quarters of a crore of rupees, but the bulk of this amount relates to urban societies and central banks. And the total capital of the agricultural societies is less than a quarter of a crore. Over a third of this is again derived from central financing agencies, and if we include share payments as savings, the total amount obtained after fifteen years through over a thousand societies is less than twelve lakhs. And the amount

attracted as local deposits from outsiders is also very small, showing that the societies have not established their credit locally.

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The money-lender too has not been displaced, although, as the figures show, his lendings have decreased. But his **Growth of In-** hold over the agriculturist continues, and unless the **debtedness** methods of financing in vogue among co-operative societies improve and are made inelastic and funds are available promptly and in an adequate measure, the money-lender will not be displaced. His rate of interest may have been reduced slightly, though it would be rash to hazard this generalization without further enquiry. Mr. Ranga Rao is inclined to believe that the very fact that societies in the State have during the last fifteen years made advances extending to a crore and a half shows that the money-lender has lost his importance, but no conclusion can be based on these figures except in comparison with corresponding figures of advances made by money-lenders. Indebtedness, it is evident, has not been reduced but has actually increased. The assets too have increased correspondingly, and the figures alone therefore need not cause anxiety. Agriculture like every other industry, as Mr. Ranga Rao observes, necessitates borrowing, and if the borrowing is for productive purposes, its increase need not cause alarm. What Mr. Ranga Rao fails to explain is if the borrowings have been for productive purposes and have been properly utilized, and if, as a result, the productive capacity of the agriculturists has increased. It is also necessary to examine if their powers of resistance in lean years has been strengthened, and their standard of living improved. Finally, it may be observed that although rates of interest in co-operative societies may not be as high as those of money-lenders and the terms of repayment less harsh, there exist in many places evils such as inelastic methods of finance, the rigid limitation of the amount of loans, the withholding of extensions in bad seasons, and the delays in receipt of loans, and these give rise to inconveniences as injurious as the practices of the money-lender. The evils may not exist in Mysore, but it is only if a satisfactory reply is forthcoming to this question after inquiry that the success of the co-operative movement in any area can be said to be pronounced.

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To the August number of the Mysore Economic Journal, the Registrar of Co-operative Societies, Madras, contributes a brief, but valuable, article on the question of small and scattered holdings. After examining the disastrous effects of the excessive fragmentation and sub-division of land which prevail in some parts of the country, Mr. Vedachala Aiyar proceeds to

**Excessive Sub-  
division of Agri-  
cultural Holdings**



describe the causes of the evil. The main cause, according to him, as also other authorities, has been the operation of the Hindu law of inheritance, and the traditional manner in which partitions of land are carried out. It is only when these causes are properly appreciated that we can devise satisfactory remedial measures. These may be divided into two classes according as they aim at the prevention of the evil in future and at undoing the harm that has been done in the past. The remedial action may be adopted either voluntarily or compulsorily imposed by the law of the land. Mr. Aiyar next turns to an examination of the various remedial measures which have been proposed from time to time. In the first place, it has been suggested that in making partitions of land special care should be taken to make the holdings as good as possible for economic cultivation. This action is dependent on two factors. It has to be recognized that a partition of land which deprives one or more of the members of a family of their share of the family property in land and recompensates them by payment in cash or by grant of other property is bound to be unpopular until alternative sources of employment are devised, cottage and other industries organized, and the rural population not left to feel that as the land is their only source of income, to the land they must stick whether the holding of land possessed is economic or not. It is this difficulty which is at the root of the villagers' traditional love of land. Similarly, it is not easy to induce those interested in partition to recognize the evils of subdivision. Public opinion in the villages will have to be educated into the methods of eliminating the evil, and in this work co-operative societies can play a prominent and useful part, bringing moral pressure on their members to have cases of partition carried out on the advice of a Panchayat whose guiding principle will be to consider the convenience and facility of cultivating the different shares. Another line of action, referred to by Mr. Aiyar, is the prohibition by law or by voluntary binding of the division of land beyond a certain stated area, whether by partition, by sale, or otherwise.

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In Japan and in some other countries, the line of action is somewhat different. In selected villages all the holdings are lumped together, and works of improvement carried out with the aid of a joint loan taken on a co-operative basis. For instance, the channels are improved, wells dug, roads and paths constructed, and the land generally put into such a condition as will bring in an increased out-turn. The land is then divided up into plots suitable for cultivation, and these are reassigned to the original owners as equitably as possible in relation to the value of their old holdings. Under

Redistribution  
of Holdings

a legal enactment, agriculturists in any given area may be compelled to agree to the scheme of resettlement when it is approved by a number of the agriculturists which is not less than a third of the total number of land-holders in that area, and own not less than two-thirds of the land affected by the scheme. The operations are financed by loans obtained through co-operative societies, which receive help from the State in the form of subsidies and exemptions from certain taxes and legal formalities. In India, co-operative credit societies, or special societies of the type recently started in the Punjab, can interest themselves in schemes of resettlement and initiate such experiments. Unlike other superficial observers, Mr. Vedachala Aiyar is confident that the prospects for such joint effort are fairly bright, once the preliminary task of education is over. Villagers in many parts of the country have a traditional belief in unity and show a praiseworthy willingness to subordinate their private wishes to the general interest of their villages. Under such conditions, compulsion, he believes, will not be necessary and once the idea gains ground that fragmentation and sub-division of land are economic evils and are destructive of good farming, "even that compulsion will be welcomed by villagers as reasonable enough in dealing with a recalcitrant minority whose opposition was detrimental to the general welfare." Lastly, reference may be made to Mr. Aiyar's suggestions that when blocks of land of considerable size are available for sale, co-operative credit societies, like individuals, should bid at auctions and might arrange to purchase suitable blocks of land for division into convenient holdings to be partitioned after improvement among the members. The purchases should be financed partly out of special loans raised by the societies and partly out of advance payments received from members. Such action hardly comes within the scope of the objects of credit societies, landing them, as it may do, into the dangers of land speculation. However, after devising suitable safeguards, special societies of the limited liability type may be organized to undertake the work of consolidation and re-allotment of holdings, as has been attempted on a fairly large scale in the Punjab.

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The statement showing the progress of the co-operative movement in India for the year 1919-20 was issued in September last, that is, nearly a year and a half later than the end of the period to which the statistics relate. The volume is priced at Rs. 1-8-0, and is published by the Department of Statistics. Instead of hastening the publication of the figures, the Department delays their issue even longer than under the original arrangements, and puts on the volume a price which renders it beyond the reach of an ordinary student of social and economic progress in India. There is no change in the form of the statistics nor in the maps and charts which are issued with them. The charts all show that in regard to the number of societies, the membership, and the working capital the rate of progress has been increasing gradually since 1913-14. Compared to the population, the number of societies, among the major provinces, is highest in Burma,

the Punjab and the Central Provinces showing slightly lower averages. Relative to the population, the membership is highest in Bombay, due mainly to the large size of the urban credit societies, and the Punjab and Burma, too, show high averages. The working capital employed in the movement per head of population is highest in Burma, the Punjab and the Central Provinces claiming the next best averages. The Abstract Tables and the General Statements contain figures for the Indian States of Mysore, Baroda, Hyderabad and Bhopal. The States of Gwalior, Travancore and Cochin also publish periodical reports, and it is to be hoped that in future statistics will be called for from these States as also from Indore and Patiala where co-operation is reported to have made good considerable progress.

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The Abstract Tables show that during the year the number of societies increased from 32,432 to 40,772 their membership from 12,35,891 to 15,21,148 and their working capital from Rs. 17,55,15,000 to Rs. 21,40,70,000. The number of central banks increased from 333 to 400, their membership from 10,77,017 to 1,27,026, and their working capital from 7.29 lakhs to 8.85 lakhs. Seven of the central banks were classed as provincial banks. These commanded in the aggregate a capital of 2.42 lakhs. The number of agricultural societies increased during the year from 28,977 to 36,299, their membership from 9,67,318 to 11,75,109, and their working capital from Rs. 8,08,67,145 to Rs. 9,64,89,706. The number of non-credit societies increased from 490 to 694. 299 were societies for purchase and sale, 60 for production, 307 for production and sale, and 128 for other forms of co-operation. Bombay has lost its lead, and the Punjab now has the largest number of non-credit agricultural societies. Burma too is not much behind. The number of non-agricultural societies rose from 1,971 to 2,662, their membership from 2,61,675 to 3,39,430, and their working capital from Rs. 2,17,04,316 to 2,90,37,714. Non-credit societies numbered 990 as against 621 in the previous year, and included 707 societies for purchase and sale, two for production, 220 for production and sale, and 61 for and other forms of co-operation. Here, too, Bombay has lost its lead, and Bengal has the largest number of non-credit societies, the Punjab having the next largest. Inclusive of central federations, the total number of guaranteeing unions increased from 747 to 992, and of affiliated societies from 13,319 to 16,880. Cattle insurance societies numbered 417 as against 410 in the previous year, Burma claiming no less than 381 of these. There was a slight reduction in the number of members and in the amount of risks insured. With the starting of a re-insurance society in the Punjab, the number of central re-insurance societies increased to two, the other society being in Burma.

# THE BOMBAY CO-OPERATIVE QUARTERLY

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## CO-OPERATION AND COTTAGE INDUSTRIES\*

The subject that I have chosen for an informal and practical talk with you is one that will have a special appeal to your generous and responsive impulses. It is "Cottage industries and how co-operative organisation can revive them." There is an underlying implication that these industries are in a bad way, and that an open sesame has to be discovered that will open out for us a vista of resuscitated cottage industries. You all know that our old world policy was to organize self-contained units of society. Division of labour was worked out on the principle of making a community self-contained. It was not based on the regional advantages of production, and the difficulties incidental to transport concealed the disadvantages of the unprogressive yet conservative type of economic milieu, which while militating against optimum efficiency secured a modicum of comfort and employment all round. This jack-of-all trade economy has been replaced by a new type of division of labour, and what with economies inherent in large-scale production and facilities of steam transport the standardised products of the loom and the workshop have invaded and displaced old world products of cottage industrialists. Joint stock organisation has taken the place of proprietary concerns. The individual element is gone, and a co-operation that has neither a soul to be damned nor a body to be kicked has come in its place. It was preached by Bentham that every unit pursuing his own line of self-interest will ultimately ensure the happiness of the greatest number. The joint stock tendency gathered momentum and crushed out every individual plantling. Colossal heights of riches and depths of poverty, the storm and stress of a nerve-racking existence, the too-old at fifty feeling, the smoky atmosphere and fouled water-ways—all these repelled the mimosa-like sensibility of the Eastern mind, and there has been a tendency noticeable in India to attribute this decline and downfall

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\* Being an address delivered to students of the Canning College, Lucknow.

to reasons quite different from the real ones. This tendency has a distinct under-current of obscurantism—a craving for what I could call *industrial* invagination which one has to guard oneself against.

I propose this afternoon to offer you not the pure milk of Benthamism, which has with a facile folly ignored the caliban element in us, but to discourse on the new boon of co-operation. I wish you to carry to villages and towns the gospel of co-operation, and preach the gospel of loving your neighbour and acting towards him in the words of Kant's categorical imperative, in such a manner that that conduct could be universalised for all. By co-operation, I mean each for all and all for each. You have played in associated games. The true sportsman subordinates display of individual skill to the success of the party, because on the success of the unit the constituent scores a complete success! Each trusts the other to play his part and not to let the party down. The object is not the elimination of the unfit but the training of the laggards-behind—whom Nietzsche would like to see go under—to come into line. You have been repelled by rampant competition between nations, groups of workers, and individuals. You have realised the wreckage of humanity incidental to the march of the Nietzschean superman and your salvaging activities now gather to the fold the limping and the untypical, so that each may get what he is in need of and not what he can pick up.

I propose to say nothing this afternoon of the main principles of co-operation. They are known to you. I am concerned with their practical application. Here, I would warn you against confusing co-operation with communism. I do not for a single moment advocate that all the instruments of production should be communally owned and private property abolished. The difference between co-operation and communistic working lies in this—the former superimposes on individual activities a certain directive momentum that ensures the accentuation of individual effort and the elimination of competitive friction; the latter deposes the individual. He becomes only an agent of the community, the undeveloped female slave of the bee-hive, working by instinct or by compulsion for the aggrandisement of a community in which his bare existence alone has been guaranteed. As man works more and more under impulse of reason than of instinct, he resents putting forth the effort which does not benefit him directly. The one premises that men are born unequal and only equal opportunities should be offered to each unit of a co-operative society. The other bases his structure on the equal capacities of all. The lion and the ass, to use the expressive words of Heine, both carrying burdens because both are ~~born~~ equal.

Another warning too is necessary. I am not pitching organised concentrated industries against cottage industries to the detriment of the former. That would be misleading propaganda. There are industries that are susceptible of large-scale, organised, highly expert and highly financed direction. There are others which elude the grasp of the brainy entrepreneur and refuse to be standardised. Their speciality is their individual personal note. Machinery has taken the place of hand manipulation because of the cheap driving power it introduces. This cheapness is secured by concentration, large-scale production, and reduction of overhead charges by spreading them out wide. Where precision is essential, a machine would be better than human motive power. But here too electricity has come as a welcome helpmate to the cottage worker. Power can now be transmitted from where it is generated. Cheap electricity will be possible with the development of hydro-electric schemes, and a time may come when cottage workers scattered within a radius of fifty miles of a generating plant will be able to switch on power when they like to work a loom or a lathe. This is the great co-adjutor that has come to the side of the co-operative organisation bent on ameliorating the lot of the cottage workers.

Dr. Engel has examined family budgets of a number of families in Central Europe. Roughly speaking, the proportion spent on the various groups of items is as follows :—

Food	...	...	62 per cent.
Clothing	...	...	16 „
Shelter	...	...	12 „
Operative services	...	...	5 „
Higher life and saving	...	...	5 „

Possibly, the corresponding percentages spent in India may be slightly different. This has not been worked out. In areas where organised industries do not exist and the weather is not intensely inclement the percentage spent on food is higher, and that on clothes and shelter smaller.

Agriculture is the sole means of earning a livelihood for 75 per cent. of our country-men, and even for the rest the products of agriculture take a prominent place in the family budget. It is our most important cottage industry. I mean agriculture as it is carried on in most parts of India. We have not got the system of capitalistic farming on a large scale that obtains in the U. S. A. or the United Kingdom. Our agriculture is run as a cottage industry. Its profits are small, because the holdings are not compact but are fragmented. Capital that is available is exiguous and the system of marketing of the outturn inefficient in the extreme.

The agriculturist is in the hands of middle-men from his birth to his grave. Each individual keeps his own plough team, his own manure heap, his own Charra worked by bullocks. He buys his own seeds for sowing, threshes out and cleans his own grain, and takes his own outturn individually to the market for sale. What waste of power, what loss of efficiency do these myriad stereotyped operations entail it is not easy to lose sight of and yet it has been forgotten. Introduce co-operation, and the individual distrust that exists, the disabilities and waste will disappear. The group will bargain for the purchase of pure-culture seed from an organised department of Government and one of the lot will fetch it as an agent of the whole. There will not be the weedy plough bullocks we see for half-acre holdings. The holdings will have either been consolidated by mutual agreement or even after that if individual holdings are too small for efficient plough duty from the plough team, the co-operative society can own plough bullocks or power-driven ploughs and let out the service of these for the use of individuals. In this connection, I would warn you against the mistake of confusing co-operative organisation for promoting agricultural output with any type of communistic organisation. Under the latter scheme, the fields are common property and each family cultivates as much as it can and the total outturn is divided according to the needs of those squatting on the area. There is no incentive to put forth full energy; no one sees the growth of his share as a result of fresh exertion. What we have tried to secure by co-operation is to bring to the door of each member of the society the conveniences that only large-scale production can provide by finding individual credits, and it should never be forgotten—nay, it should be emphasised as an axiomatic truth—that the credit of the society transcends the sum total of the credit of its individuals, and the excess is the capitalised or funded reputation of the group. By being a member of the group one reaps not only the fruit of one's own personal exertion but also profit by the interest on this invisible fund. I need not dilate on this point any longer. I beg you when you happen to go back to your villages in your vacations to try and organise a single society of agricultural workers.

- (1) You will teach them to cleanse their hearts of malice, and distrust.
- (2) You will make them respect character and hug the good name of the society.
- (3) You will inculcate lessons of regularity, system, and honesty.
- (4) You will evolve out of a chess-board pattern of fragmented plots, by mutual exchange, consolidated holdings, demarcating foot-paths for cattle to go to and fro between homesteads and farms or to watering places.

- (5) Find the requirements in the matter of seed and manure and get the supplies from a recognised store. If they have not powerful draught bullocks, you will assess each with his quota and hire bullocks on behalf of the society. Similarly, irrigation costs will be kept low and the grain after being cleaned can be taken to the market by one of them or to a co-operative store. Being pure-culture seed you will be able to have suitable rat-proof granaries and be relieved of the worries incidental to the individual guarding his own grain stores keeping off the inroads of thieves and vermin.
- (6) You will release agriculturists from the clutches of the middle-men who supplied them with indifferent seed at high prices, and paid them inadequate prices for the outturn. You will be able to advance them money on the strength of their share in the grain store and thus enable them to pay their way till they realise their share of the produce. You can drive out the rat-flea, nay plague, from your villages if you organise village economy on co-operative lines and have a Dharma-gola for storing the society's grain. The identity of each individual's grain is lost in the general store, and, therefore, each feels that he must produce the best grain possible so as to command top prices. I wish you to try this experiment. You can improve this cottage extractive industry by bringing large-scale economies at his door by means of co-operative effort and get him the highest price for his output.

Take at random the case of the present method of preparing Sau-hemp and marketing Kapas. A co-operative arrangement will ensure clean fibre and secure good prices. A co-operative gin and press will eliminate the mulcting by middle-men of individual marketers of Kapas. Each agriculturist can gin and press his Kapas. The society can and will retain the middle-man's profits. I maintain that the country is looking up to you to see that the mother earth is not butchered and starved, and there is not a shadow of doubt that with the application of closer co-operative effort her cornucapial gifts will make rural poverty a thing of the past. I need not touch on the benefits that a scheme ensuring constant supplies of cheap seed, cheap copious and timely water, and good manure will have in improving agriculture and the fruit industry. Individual effort has not secured this. Co-operative effort alone can ensure an unintermittent flow of these amenities.

Ireland, Belgium, and Holland are three names that come up casually to one's mind. It is co-operation alone that has revived the drooping spirits of Paddy who was given the gift of his individual holding, but did



not know and had not the wherewithal to make it pay. It was this same spirit that helped the Belgian with his law of equal distribution of family land between daughters and sons to avoid the evils of over-fragmentation by instilling the co-operative spirit, and arranging mutual exchanges so as to secure compact blocks. It was this spirit that made the Hollander win back land like Parshuram from an ever-engulfing sea and even retain the niggardly gifts of barren land that tardy nature had kept dry. Each individual works with the momentum of his social unit.

The second most important industry whose resuscitation can be brought about by co-operative methods is the cottage industry of hand-weaving. This industry flourished in all its glory here till cheap standardised well-finished articles came from abroad and found it unprepared to adapt itself to the changing conditions of production. Here, again, the individualistic method of production was the main cause of evil. Each house-holder used yarn spun at his place or by his neighbour. His family members prepared the warp, necessarily short warp, after a laborious manner and then the cloth was woven on the self-same throw-shuttle loom on which the finest fabrics used to be slowly woven with the result that the time taken on weaving reduced the weavers' wages to one anna or six pice a day. The finish was poor and the system of individual marketing inefficient and wasteful, the manufacturer losing a whole day on the bazar day to dispose of one or two pieces of cloth. I want you to tackle this problem in your hours of leisure. You can first form a society of weavers. Do not fritter away your energies on improving existing methods of hand-spinning. I have seen the latest improvements in the Patna Exhibition. They are sometimes inept and clumsy adaptations of power machinery, and yet the quantity spun in a day does not exceed 6 oz. or the usual  $2\frac{1}{2}$  chh. done on a country Charkha. Charkha spinning will always play its part in keeping the old and the decrepit or the able-bodied in the idle moments busy, and the price of yarn spun when sold will supplement the exiguous family budget. But that yarn is not equal to the evenly spun machine yarn unless the work of spinning is done very very slowly, and then it would pay still less. No, better arrange to purchase machine-spun yarn and for higher counts some hand-spun yarn too, in addition to machine-spun yarn for your society from some recognised stores. Set up on behalf of your society or several joint societies a central factory for preparing beamed warps of standard lengths and widths and then sell to the individual weaver these beams. The cloth when ready can be taken on by the factory on payment of a certain price, which will be equivalent to his wages. The cloth will be then calendared and finished and sent to some central stores for sale. The individual weaver gets at once the price of his cloth, has to pay nothing for the warped yarn and shares

ultimately in the profits made by the co-operative factory. It would be advisable to make small beginnings, but ultimately the co-operative central factory ought to have the preliminary and finishing processes gone through by hand or power-driven machinery. We have opened schools for the training of handloom weavers. We have taught them to work on improved looms with ingenious sley arrangements. Yet when the unit has gone out he has been faced with the difficulties of preparing his warp and of marketing his cloth and has succumbed to the temptation of taking service in some factory. I am driven to the conclusion that the problem of hand-weaving cannot be solved except as an activity of a co-operative society of weavers. This co-operative spirit has to be inculcated. You can serve as missionaries in creating this spirit. It is your duty in your periods of leisure to attempt to do something constructive. Erect this edifice then, and give to the man whose calling it is to be a weaver the benefits of group purchase of raw materials and disposal of the finished product, duly finished, in the most favourable market. Do not be content with poor inartistic cloth. Life would be a very sordid squalid thing if there was not a hankering after something higher—more beautiful, more harmonised. Do not imitate in your cottage industry the same stereotyped patterns that are turned out by power mills. They have their uses in the social economy. The handloom weaver of the lowliest intelligence will content himself with turning out standardised Garba cloth. The margin of profit is small. But you can always get the weavers to take up the production of higher counts of cloth with chequered designs and artistic borders, and the weaving of mixed cotton and silk or of cotton and wool cloth. It has been found by experience that the handloom weaver working in the orbit of a co-operative society will be able to turn out economically articles of the type described above.

We now come to other industries that are not directly connected with agriculture—the non-extractive industries. I have dealt with the principal industry in this group namely weaving. The rest could be split up into art products of the domestic or sumptuary type. I enumerate a few of these. Scissors, nut-crackers, locks, knives and utensils are manufactured in these provinces on cottage industry lines. The worker gets his advance of the raw material. He forges and rivets the finished product or moulds it and then makes it over to a middle-man or to the man who advanced the metal at a certain price. There is an ideal field for your co-operative effort. Form a society of these workers. They are paid a very nominal price for the semi-manufactured articles by the middle-man who has them polished, and plated, and stamped, and then offers them for sale at considerably higher prices. What is necessary is to form a society of these

lock makers ; for instance, the metal could be purchased wholesale by the society, and then sold to its individual members. The forgings and rivetting being done—the society could put up a small central polishing and plating plant and then sell these articles bearing the stamp of the co-operative society. It would be necessary to employ a manager who will not only look after the technical part of the work but study the markets and get the best prices for the finished products. It would be necessary to standardise output ; to be able to follow up repeat orders ; and to train workers in the technique of lock manufacture according to sample.

I would now turn to the sumptuary arts. I would take up three instances—manufacturers of gold thread, enamelled metal-ware and artistic chikan work. The gold thread industry has been carried on on typically individualistic lines. Division of labour has been complete. The bar-drawer makes over the attenuated bar to the wire-drawer, the latter to the flattener, and he to the twister with fibre. The industry has been rudely shaken by imports of gilt kalabattu and lametta from Lyons and Nuremberg. What is to be done? The work of the pāsātānia in Surat and Burhanpur has been brought to a standstill. Here is a problem for the co-operative worker to solve. It is necessary either to form a society comprising one set of workers or combine them into a society consisting of the different tiers to do the mechanical part of drawing and plating by machinery worked in corporate interests and the work of curling and flattening by hand. Bars of the precious metal can be bought with funds provided by a co-operative society of the artisans and the finished product sold to societies of weavers of gold thread Saris and Kinkhabas. A gold thread joint stock company could do this work, but then the individual workers would lose all personal interest. Instead of being artificers they will become wage-earning workmen.

India has been famous for its exquisite enamelled metal industry. The articles turned out are in great demand, and yet the industry is concentrated in a few hands and the worker has a hand to mouth existence, always dependent on the advances made by middle-men and constantly evading payment by subterfuges that have made his poverty a by-word of scorn. This sorry material, this tinsel, could be turned into gold if it is made to pass through the alchemic bath of co-operation. The society would command credit which would feed the workers while they would be at work and the organisers of the society would secure the best types of designs—designs not of the meretricious type but instinct with the art inspiration of the East—trying to express her ideal of the beautiful in metal forms. The lotus, the pīnar, the amalak, the trifala pattern, to mention only a few conventional forms, will receive the minute floral geometric and Kufic

decoration in Siyah Kalam that would enrapture the eye. The society will have to engage a business manager and an artist to study the taste of the connoisseur of art and adapt designs accordingly. This is very necessary. A cigarette box or a handkerchief box need not be tabooed because it would be catering for new-fangled habits. Yet the shape should be Indian and not exotic, and the decoration indigenous. The demoralised worker always in debt and a prey to sloth and drink will put forth his best energy when he realises he would get his full price and nought less.

I now summarize the main reasons why our art products are languishing. The first is want of proper advertisement. There is next a lack of adjustment between the nature of articles in demand and the style of artware turned out. These are the requirements of the Indian, England-returned and living in mixed style—the transitional period style—who yet wants Indian artware for his daily use. Again, many of these art products do not serve any purpose of utility. Further, there are defects in technique and no attempt is made to make the art tradition a living source of inspiration for the artist. The perennial flow of court patronage has gone. The patronage of an appreciative public has not come in. The old art ideal in our cottage arts and crafts is being lost sight of because effort is being made to prepare costly articles for foreigners only, with foreign designs. Here comes the real trouble. It is a question of supply and demand, and as the demand is only from the rich globe-trotter, mostly American, the supply is forth-coming to suit his taste. There has to be taken into account the poverty of workers and the absence of stores from which raw materials could be had at reasonable prices. There are complaints about want of regularity and steadiness in workers and the absence of a sustained effort on the part of workers to keep up to the standard of the sample. Lastly, there is a lack of artistic atmosphere. There is very little that is not cramping and sordid about the craftsman's home. He seldom has the time to visit Courts of Princes or landed proprietors which were the repositories of artware, or temples wherein he could feel the art afflatus within him. There is great need of popular training in the art traditions of the country, which are gradually being forgotten. For example, Muttra is famous for its printed cloth sold to the Vaishnava pilgrims. I visited the shops of wood-carvers who prepare blocks for printing. Not one represented scenes from the life of Krishna—the idyllic stories from whose life are entwined in the child consciousness of every Hindu. Why not represent the Kaldaman scene, the Ras Lila, the Vastraharana on handkerchiefs and cloths taken as souvenirs from this cradle of the Krishna cult?

You will ask me why I hope so little from individual efforts of curio-dealers or of the Government in improving these cottage industries. The

former have one idea—to get work done by sweated labour and to keep avenues of advancement closed to workers by keeping knowledge of the ultimate markets secret from them, by making them manufacture articles to suit extra-Indian demand only. We have attempted on the side of Government to open an emporium where selected specimens of the arts and handicrafts of the province are exhibited. We secure orders and we transmit to suppliers criticism of the work done, get them to stick to sample orders, and so on. But our best effort has only reached the supplier. It has failed to percolate down to the actual worker. He is conservative. Stipends have not attracted him to the only seminary where he can improve his art technique. But I see the dawn of hope of a better day before me when I contemplate the transformation that a co-operative organisation will bring about in the condition of these workers.

Most of you only conjure up a vision of a credit bank or a store when you hear the word "Co-operative effort". The organisation does not, according to many, transcend these limited functions. I envisage its duties and responsibilities differently. I would have a band of organisers come forward to form a co-operative society of workers of artware. On their funded credit, you will be able to get an advance of money. You will have to put forward a subvention by way of a development fund. You will buy the raw materials. You will build up a bureau d'études. You will have a small museum exhibiting games of artware. You will have a seminary to train up apprentices. Each worker will work in his cottage, but will receive his inspection and direction from here. He will bring his finished artware here. Defects will be pointed out to him. Lapses from taste will be thus avoided. Let not the organiser feel that any worker is good enough to be the technical adviser. You will have to pay for his services and pay well. I look forward to the time when the present centralised training will be decentralised, and the future foci of training will be those co-operative organisations. I do not see, why funds permitting, assistance for maintaining the seminaries will be withheld by the Hon'ble Ministers of Government who are only too anxious to supplement, nay, to initiate private enterprise in this direction. The Department of Industries has undertaken an exhaustive survey of the industries of the Province and a reconnaissance of the possibilities of improving cottage industries will be one of its immediate concerns. In the United Kingdom, where industries are organised on centralised lines effort is unintermittent in the direction of devising means of extending help to cottage industrialists. Miss Wood has undertaken on behalf of the Institute for Research into Agricultural Economics a survey of the rural industries round Oxford. Cottage industries flourish at their best in highly organised Germany.

Basket plating, tat patti-weaving, munio box-plating, mat-weaving, manufacture of lac ornaments and lacquered wooden toys, these are some of the other cottage industries of the United Provinces that loom before one's eyes. Their needs are cheaper raw material, better advertisement, improvement in design, and greater fitness for varied uses. For instance, the grass boxes, called munias, could easily be utilised for packing chocolates and sweets if the lid could be made to hinge satisfactorily to the rim of the box. The machine-tool and cheaply transmissible electric power have come as handy instruments for co-operative effort, which will mainly consist in stopping the present tendency towards aggregation with the eternal fights of organised capital and organised labour. Industrial production will be decentralised in execution, and for marketing it will still have centralised direction. The world is in travail. The agitated waters are welling up and foaming. You—the pillars of the future—the architects of Indian destiny have to churn this ocean. There is a feeling that the masterless confusion that Hobbes was obsessed with—of a war of all against all—has been the characteristic feature of the present economic ordering of the world. You have always maintained with Charu Datta that *वसुधैव कुटुम्बकम्*—the world is your family.

Does the co-operative ideal make an appeal to your ardent souls? Does it not fire your imagination? Does not your work-a-day existence experience an uplifting feeling when you visualise an India transfigured—an India setting the example of *सर्वभूतस्य मायमानं सर्वभूतानि चात्मनि*. I ask you as a fellow-Indian—as a fellow-student of economics to build up the economic fabric of rural India not on the quick-sands of unregulated competition. You take your stand on mutual trust, mutual trustworthiness, and you will achieve a quiet revolution in rural economy and at the same time ensure a diversity of occupation where at present there is nothing but agriculture to depend on.

But do not imagine it will be plain sailing. You cannot put your best intentions, your generous impulses in the slot and expect co-operative societies to come out from the other end. There is none of that miraculous response of accomplishment to impulse of expressed wish in the plane of economics. You will have to carry on a sustained and organised propaganda, disseminate literature in the vernaculars, and train your humble workers, your scribes, your rank and file. But once this is done the response will be prompt.

V. N. MERTA

## ALL-INDIA HANDWEAVING EXHIBITION, PATNA

The All-India Handweaving Exhibition was held at Patna from November 28th till December 4th. It owed its inception to an offer from Mr. S. K. Deb of Calcutta to Lord Sinha of a prize of Rs. 1,100 for the best original device connected with hand-weaving. It was hoped that the Exhibition would give a great impetus to the handloom industry by emphasizing its importance and by enabling the various Government Departments and others engaged in encouraging and developing it to compare notes and to learn from each other's successes and failures.

Few persons realise that one-quarter of the cotton cloth consumed in India each year is made on the handloom, and that there is reason to believe that this branch of the handloom industry, so far from declining, has actually expanded since the year 1900. It is estimated by the Indian Industrial Commission that the average amount of cotton yarn used annually by handloom weavers increased from 218 million pounds in the five years ending 1900-01 to 287 million pound in the five years ending 1915-16, a rise of nearly 30 per cent. This would be equivalent to 1291 million yards of cloth or more than one-quarter of the total amount consumed annually in India. In addition to cotton cloth, many beautiful and useful articles of silk and wool are produced. It is believed that the variety and excellence of the exhibits in this Exhibition will be a revelation to the public.

Yet the handloom industry in India works under grave disadvantages. Weavers, as a class, are ignorant and conservative to the last degree. For the most part, they still use the same primitive appliances that their remote ancestors used in the times of the Moghul Emperors, the only really general advance which has taken place during the last century being the substitution of mill-spun yarns for the uneven hand-spun of former days. But the greatest handicap of the handloom weaver is his isolation and lack of business knowledge. The mills make their profits quite as much by the judicious purchase of raw materials and sale of their finished products as by the inherent advantages of steam or electrical power and complicated machinery. They buy the best yarns, if they do not make their own, whereas it is notorious that yarn sold to handloom weavers is deficient not only in length but strength. If the weaver working cheaply in his own home without the high overhead charges of the factory could yet enjoy the advantages of large-scale purchase and sale, it seems likely that he would not only hold his own against the power loom but even carry the war into the enemy's country.

Government Departments are, therefore, trying to help him in three ways, First of all they are introducing, with such modifications, as may be necessary for Indian conditions, improved appliances like the fly-shuttle, the dobbie, and the jacquard which have been used in Europe for several generations. Secondly, they are endeavouring by means of co-operative stores and societies to bring to the weaver the advantages of large-scale purchase and sale and of business organization in general. Thirdly, by means of technical institutes and industrial schools, they are affording the weaving and other classes the opportunity of specialised education and themselves undertaking research into the problems of the industry. In all directions, great success has already been attained, but only in quite recent years; and the great mass of the weaving community is as yet hardly touched. If the handloom weaver, with his primitive appliances and unorganised as he is, is able to produce in such quantity and quality the stuffs which are being shown at this Exhibition, there is good ground for the belief that with the aid of improved appliances and co-operative societies, a great expansion of the industry will take place.

All the provinces in India eventually took part in the Exhibition, together with the Government of Nepal, and most of the leading States including Hyderabad Mysore, Baroda and Kashmir. Bengal, Madras, Bombay, the United Provinces, Bihar and Orissa, Burma, Assam and Mysore sent valuable exhibits of the various appliances which they are introducing among the weavers and of typical cloth produced in the various provinces. These arranged in pandals along each side of the ground formed one of the main attractions of the Exhibition. In addition, each State and province collected exhibits of cloth from its handloom weavers in order to compete for the various prizes and medals. These exhibits were the special feature of the show. since no such complete and representative exhibition of Indian handwoven materials has ever been made before, nor could it have been made except by the Industrial Departments of the States and provinces: which alone are sufficiently in touch with weavers all over India. In addition to these exhibits, a number of dealers from Bengal and Bihar as well as co-operative stores from Bengal, the Punjab, Burma, and Bihar and Orissa took stalls. A few private engineering firms also exhibited looms, Charkhas, &c.

The two largest exhibits of weaving appliances were made by the Governments of Bengal and Madras. Both the Madras and the Bengal pandals contained a number of ingenious machines, but the Bengal exhibit was of special interest because the looms and appliances in it were not brought from any central institute but were collected from looms and appliances actually in use in the districts. The exhibit of the Government of Mysore also deserves special mention, if only because of the sizing and beaming machine perfected by Mr. Rao, now Textile Expert in Bihar



and Orissa, which won Mr. S. K. Deb's special prize of Rs 1,100/- for the best original device connected with handweaving. The other exhibits in the central pandals deserving special mention, were the collection of *kinkhab*s and silks from Surat, the exhibits of Burmese silks from the Saunders Institute at Amarapura near Mandalay, sample silks exhibited by the Pusa Research Institute, and the so-called *himru* and *mushru* silk fabrics from Hyderabad. The last attracted special interest owing to the intricacy of their designs, the beauty of their colouring, and their skilful execution.

The textile exhibits from the various provinces and Indian States were arranged in 24 stalls on the right, while the private cloth merchants and dealers occupied 24 stalls on the opposite side. In the first five on the right, products of various co-operative societies were displayed. The weavers co-operative societies of the Punjab had a fine collection of silks, Punjabi turbans, and their famous "khes" or chadars, besides shirtings, coatings and towels. The Bankura Weavers' Society and another co-operative society of Bengal had each its special specimens of textiles. The Bhagalpur Weavers' Stores of Bihar did excellent business in *tasar* suitings and spun silk shirtings. Burma was also represented in this group, and its silk lungis, pawas and scarves in a variety of patterns and colours were much appreciated.

The general exhibits of various fabrics cannot be described in detail. Among cotton goods, the finest were the Dacca muslins from Bengal, while the hand-spun and woven goods naturally attracted a good deal of attention at the present time. The bed-sheets and table covers of the Common Wealth Trust of Calicut also deserve special mention for their originality of design. The silk and gold thread stalls, where the famous *kinkhab*s from Benares, Surat, and Hyderabad were arranged, attracted large numbers of lady visitors. Here a gold thread silk sari of Benares pattern woven on a jacquard machine from Mysore deserves special mention, as do the beautiful exhibits from Gwalior. There were also fine specimens of high class silk saris from Baroda, Poona, Hyderabad, Mysore, Madura and Bishnupur. The stalls reserved for wild silk fabrics were practically monopolised by Assam and Bihar and Orissa, whose exhibits in *tasar*, *muga* and *eri* silks were much admired. In mill-spun silk fabrics, Bhagalpur in Bihar and the Punjab were the only competitors and the shirtings from these places were very good. There were excellent milled blankets and rugs from Sikkim, Tibet, the North West Frontier Provinces and Nepal, while the *lokis* from Bikaner, Marwar and the Punjab and the Kashmir shawls were very fine. For artistic merit, execution and fineness, as well as price, the Kashmir shawls rivalled anything in the show.

The weaving competition aroused great interest, especially among the numerous weavers present from all over India and Burma. The looms were especially constructed for the occasion and were exactly uniform, identical warps being supplied ready for drawing in. The weavers actually worked for five-and-a-half hours, beginning at 8-45 A.M. and stopping at 4 P.M., with an interval of  $1\frac{3}{4}$  hours' rest. The winner of the competition was Khuda Bukhsh of Bombay. He actually wove 17 yds. 22 in. in the 5½ hours, putting in a total of 22,824 picks in the cloth with an average of 33 picks per inch. Another competitor, who failed to win on account of trouble with his warp, was found to put in 144 picks per minute, whereas the winner only put in 128. The results of the competition were surprising. In no competition previously held, so far as is known, has anything like the present speed been attained.

A large number of visitors were always attracted by the Charkhas, but the exhibits were, on the whole, disappointing. The "Sarala Charkha", exhibited by Mr. P. N. Roy of Darjeeling, was awarded the gold medal presented by the Maharajahadhiraj of Darbhanga. It was constructed after the model of the Saxony wheel with a vertical spindle and was worked by the feet. The thread produced on all the Charkhas was uneven and weak compared to yarn produced by the power mills.

A special handbook with an attractive cover was prepared, to which each province and State contributed an account of its weaving industry and the measures which its Government was taking to encourage it. Some of the accounts were very full and interesting, and the handbook, as a whole, is a valuable record of the present position of the industry in India.

A silver medal and a bronze medal was offered in each of the 134 classes in which the exhibits were arranged. Gold medals were offered, in addition, for articles of special merit and many of these were presented by private donors. Bengal won Rs. 125 in money prizes, three gold medals, 21 silver medals, 17 bronze medals, and 15 certificates of commendation; Madras got four gold medals, 15 silver medals, 19 bronze medals, and one certificate; Bihar and Orissa, one gold medal 20 silver medals, 17 bronze medals, and 13 certificates, while Bombay got four gold medals, six silver medals, 14 bronze medals, and five certificates.

In order to attract visitors, arrangements were made with Messrs. J. F. Madan & Co. of Calcutta for a special bioscope exhibition. About 8,000 persons paid for admission during the seven days, exclusive of an average of 600 weavers, exhibitors and other pass-holders who visited the Exhibition daily without paying. The poor attendance is said to have been due partly to the efforts of some non-co-operators to prevent persons

from visiting the Exhibition, but it is probable that in any case in a place like Patna the attendance would not have been very great. The Exhibition was open each day from 2 P.M. to 8 P.M., and in the evenings a charming effect was obtained the stalls, the pandal, and the grounds being illuminated. The grounds were gaily decorated with numerous ferns and flowers together with flags and bunting of all colours and descriptions.

The exhibits of cotton, silk and wool were fully representative of all parts of India and Burma, and were as a rule of excellent quality. The Exhibition undoubtedly impressed the public with the extent and variety of the handloom industry in India and its possibilities of development. The various experts attached to Government Departments derived great benefit from seeing each other's appliances and products and exchanging ideas. Conferences of textile and sericultural experts too were held and proved very useful. All agreed that they had learnt a great deal from the Exhibition, and in this way it must hasten the progress of the industry. One of the most interesting features of the discussions which took place was the absolute unanimity of opinion among the experts that handloom weaving, so far from being decadent, was capable of great extension and development not only as an artistic industry, where its vitality is obvious, but on the side of mass production. It is to its output of coarse cloth that it owes its real importance as the second largest industry (after agriculture) in India, employing some 2,000,000 adult and male weavers and probably about 5,000,000 men, women and children in all, and if this side of it were destined to succumb to mill competition, it would sink to the position of a small luxury trade. The meeting of all the experts in India and their unanimous assertion of the ability of the industry to thrive and expand is an event of importance in its history and one which will give renewed confidence to all those engaged in assisting it. Another important point elicited was the ability of small handloom factories, if properly organised and managed by persons with a knowledge of weaving and the trade, to hold their own, even in those classes of cloth which are usually considered the stronghold of the mill industry. This does not mean that many of the factories now being started are likely to survive, since they are usually not well run, but it does hold out the hope that a small industry suitable for the educated classes can gradually be built up. On the other hand, opinion was unanimous against cotton spinning as a whole-time occupation for men.

Lastly, there was a strong feeling that improved appliances and technical and industrial education would do the village weaver little good without co-operation. The examples of the Bhagalpur and Bankura

Stores, to name two of the most successful, convinced all that such stores if properly organised and employing staff with technical training would do a great deal to break down the helpless isolation of the weaver. At present his illiteracy and business incapacity, coupled with his lack of capital, are at least as great a handicap as his obsolete appliances. Without some facilities for purchasing reliable yarn at wholesale prices and selling his goods to the best advantage through an honest and capable business organisation, the home weaver may easily succumb in spite of technical progress. The co-operative store is the only feasible method of achieving such an organisation and the fact that it has succeeded in a few places affords ground for hope that it will eventually succeed in all.

B. A. COLLINS

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### CO-OPERATION IN GERMANY AND ITALY\*

Before embarking on my subject, it may be as well if I explain very briefly what exactly co-operation means, as there may be some amongst you to whom it is only a name. Perhaps the best way to do this in a few words is to explain how a co-operative society differs from a joint stock company, the form of business most familiar to the modern world. There are two main differences. One touches aims and the other control. In the joint stock company, control vests in the shareholder in proportion to his shares. A man with ten shares has ten times as much voting power as a man with one. *Capital therefore dominates.* In the co-operative society the rule of 'one man one vote' is axiomatic. High and poor are therefore equal. Secondly, a company's sole object is *profit*, and all profit is distributed in ratio to shares. On the other hand, the object of a co-operative society is not profit but a specific service, which it seeks to render to its members on the best possible terms. If the service is the supply of household requirements, the society is called a store; if the provision of banking facilities, a bank or credit society; if the sale of members' produce, a sale society and so on. All money raised or borrowed is paid for at a fixed rate like any other commodity required by the society. For instance, dividend on shares is usually limited to 5 or 6 per cent. If after discharging all liabilities any surplus remains, it is distributed in strict proportion to the amount of business done by each member with the society. Thus a member who has bought £10 worth of goods will receive ten times as much as one who has spent only £1. The principle underlying the payment is not a distribution of profit, but a refund of part of the price previously paid for the goods. Broadly, therefore, whereas an ordinary capitalist business exists to exploit human need for the benefit

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\* A lecture delivered in Lahore.

of capital, a co-operative society exists to make capital serve human need. And so the motto of the capitalist business is profit, more profit and still more profit; or in blunter language every company for itself and the devil take the hindmost. Whereas the motto of every true co-operative society is each for all and all for each. The difference you see is fundamental and it explains why, as we shall see in a moment, co-operation is spreading *so fast and so far*.

#### EUROPE AFTER THE WAR

I come now to the subject of my lecture which is Co-operation in Germany and Italy, and I must ask you to consider for a moment the condition of Europe after the War. For four years of War, every economic law had been broken, and by a hundred artifices, every symptom and consequence had been suppressed. When at last 'peace' came, the dam burst and Europe was for a time almost submerged. Russia finally went under, and Hungary was nearly sucked down in its wake. Austria for the moment survives, but only by artificial respiration, while Germany at one time threatened with bankruptcy, famine and chaos, is still adrift on the wreckage of her shattered Empire. In 1919, to give a single instance, Munich, the capital of Bavaria and a town of 600,000 inhabitants, was for a whole month in the hands of Bolshevik revolutionaries; and no one who has talked to those who went through the experience can conceive the horror of suddenly finding yourself, your women, and your children entirely at the mercy of ferocious cut-throats. During that month, 1,200 men lost their lives in the streets of the town, and when I was there less than a year ago their ghosts still seemed to haunt the city with a deadly fear that Bolshevism might at any moment return.

Even the victorious countries have not escaped the convulsing effects of the War. In France, the franc has lost more than half its value, and in Italy the lira has fallen from ten pence to 2½d. Revolution has generally been preceded by depreciation of the currency, and at one time many thought that Italy was in danger. Only a month or two before I crossed the Alps her factories were seized by the workmen, and the masters were temporarily dispossessed. In district after district there have been agrarian disorders, and in Sicily large tracts of land were forcibly seized from the landlords by the peasants. In the towns, Socialist and Fascisti (as the Nationalists are called) have revived the bitter, bloodthirsty mediaeval feuds of Ghibbeline and Guelph. But everywhere on the Continent the forces of law and order have been profoundly shaken, and the ever-soaring prices have excited a deep and almost rebellious discontent. I am not referring to countries like England and India where prices have only doubled, but to countries like Germany and Austria where the rise has been ten and even a hundredfold. It is not surprising then that

ark after ark has been planned to save Europe from the flood, but so far only one has succeeded in attracting men of all countries and giving them some measure of security and hope. As a leading Italian co-operator has put it, "the War has buried in its ruins men and their institutions, philosophical systems and political and economic doctrines, but it has given wings to co-operation."

#### RAPID GROWTH OF CO-OPERATIVE SOCIETIES

Never has co-operation been more needed and never has it spread more rapidly. By the Peace of Versailles, Germany lost over 2,300 rural societies. The deficit was made good in nine months. In the two years following the War, 10,000 societies were started, and the pace is still maintained. For Italy, accurate statistics are not available, but progress has been as rapid, if less sure than in Germany. In 1915, there were 7,000 societies, and there are now well over 15,000, which means that the number must have doubled since the war, as comparatively few societies were started while it lasted.

There are several reasons for this startling growth in Italy and Germany. One is common to both, if not all countries. After the War every one expected a better world, and every one found a worse. Only one class prospers, the profiteers. The profiteer has been with us for at least 100 years, but it was not till the War that he entered into his kingdom. Every one hates him, and yet every one profiteers if he gets the chance. The country profiteers at the expense of the town, and ring, syndicate and trust at the expense of the country. The towns are hungry, yet the farmer exacts the uttermost farthing for his produce. The farmer in his turn has to purchase everything he needs at exorbitant rates. The result is a rift between town and country, which is one of the most general and unexpected consequences of the War. For this, the capitalist or, as I would rather call it, the profit-seeking system, and not the individual is to blame. Based upon profit, this system inevitably breeds the profiteer. To dethrone him, the system must be mended or ended. The Italian Socialist is emphatic that it must be ended; the German peasant proprietor, on the other hand, believes that it can be mended. Amongst the many remedies suggested, nationalisation, co-partnership, guild socialism and the like, co-operation is the only one that in all countries is already established and at work, and the only one, therefore, that can deal forthwith with the evil. This is the main reason for its sensational growth since the War, and this is why the co-operative store is spreading so fast in Italy and the supply society in Germany.

In Italy, the feeling against the profiteer and the system he represents is even stronger than in Germany. The expressed aim of the

Socialist party, which controls one of the two great blocks of co-operative societies in the country, is to destroy capitalism and establish collectivism in its place. The Catholics, on the other hand, who control the other important block of societies, are strongly entrenched in individualism. The hottest rivalry prevails between the two and as the co-operative society is regarded in Italy as a source of political strength both parties compete feverishly with each other to form societies.

Only less important than political rivalry is the lavish financial assistance given by Government. Crores of rupees have been poured out, mainly in the hope that co-operation would prove a sedative to the agrarian and industrial ferment produced by a long war upon a not very phlegmatic people. Societies have sprung up like mushrooms, some with no more resource than a few ten lire shares, believing that unlimited funds would be placed at their disposal by Government. Even Italians are alarmed at the appearance of so many new societies, some of which have already had to be liquidated. "I think with grief", says a high Italian authority, "of all that co-operation made without a half-penny of capital, which expects to get everything on endless credit; and I look with terror upon the swarm of co-operative stores which with 1,000 lire of capital expect 100,000 on loan, societies which at the first shock will melt away, having neither discipline nor principle, and whose only object is to get a little more sugar and macaroni at the expense of Government."

Germany is in sharp contrast to Italy. Politics are eschewed and the public exchequer is empty. Progress, therefore, owes nothing to political rivalry and very little to public grant. The feeling against the profiteer is strong, but at bottom the driving impulse is necessity, the hard, dire necessity of defeat and economic paralysis. "The very perfection of social and economic organisation in Germany", says a British Government Report\*, "has proved her undoing. No other nation could have liquidated and thrown into the fighting line the whole of its resources in men and material. When, however, her fighting shell broke down at one spot, the whole thing collapsed, and the shell was found to be practically empty." In the 25 years before the War, the German population increased by 40 per cent.; yet in spite of a poorer soil than that of Great Britain, thanks to vast imports of chemical manures and concentrated feeding stuffs and to an abundant supply of cheap labour, Germany was able unaided to feed nearly the whole of her population of 67 millions, and withal to feed it better than either England, France or Italy fed theirs. Only the finest organisation and the highest development of scientific agriculture could have achieved this.

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\* Starling, Report on Food Conditions in Germany, 1919.

The War paralysed the one, and, by cutting off supplies, half destroyed the ether. The productivity of the soil was diminished by 40 per cent., 55 per cent. of her livestock was lost, and food supplies were 'cut in half'. The mark once worth a shilling sank to less than 3 farthings. Death and disease increased enormously and the nation is described as "broken in body and spirit". Yet, in spite of this, in the two years following the War, 10,000 co-operative societies were opened. There could be no finer tribute at once to the power of co-operation and to the unconquerable spirit of man.

Apart from moral influences, two factors have combined to produce this result, an efficient organisation and a first-rate co-operative banking system. Through an elaborate system of federations and unions, with a description of which I shall not bore you, experience, capacity and enthusiasm, all highly disciplined and trained, have been brought to bear upon every part of the country. As in Italy, societies have arisen in hundreds, but unlike Italy where the controlling organisation is weak, as soon as a society is formed, it comes at once under skilled guidance and control. Progress, therefore, is sure; it is also rapid, because money is available. On the agricultural side, that is due to the village bank, of which there are now 19,000. In Italy and Ireland, village banks are at a standstill, if not declining, because high prices have turned the farmer from a borrower into a depositor, and there is no means of using his deposits. In Germany, too, the War made the farmer prosperous and large deposits were accumulated. Instead, however, of having to be refused or being allowed to lie idle in the local village bank, every penny of these deposits was absorbed by the central banks, which are the financial back-bone of the German co-operative system. And so, when the War ended, abundant capital was available for reconstruction and development. Germany is thus a splendid example of self-help, as Italy is a warning of the danger of State aid. When last winter, the Italian Government suddenly refused to advance anything more, progress was arrested and many societies found themselves stranded. At a Socialist conference convened to consider the situation everyone attacked Government, which shows that even national Governments are not always as popular as they should be. One speaker claimed financial assistance from Government not as a privilege but as a right. A second demanded a law compelling private savings banks to invest part of their deposits in financing co-operative societies. Finally, one delegate characterised Government's action as a direct challenge to labour. All of which shows how demoralising it is to depend upon Government when one should depend upon oneself. The lesson, however, is being learnt and both Catholic and Socialist are now doing their utmost to develop banking systems of their own. If they succeed, co-operation in Italy will be on firmer ground.



## ACHIEVEMENT IN GERMANY

At the beginning of last December, there were in Germany 34,773 agricultural societies. Excluding towns with a population of over 20,000, this is equivalent to one society for every 1,100 inhabitants. Of urban societies there were at the end of 1920 over 12,000, and as they have been rapidly increasing since, the total number of societies in Germany at the present moment must be at least 47,000. Membership is difficult to calculate exactly. The agricultural societies claim  $3\frac{1}{2}$  million members and the co-operative stores the same number. Altogether there must be between 7 and 8 million families represented in co-operative societies, embracing perhaps 30 million souls or about half the present population of Germany.

It is now time to describe what these 47,000 societies are. They fall into two main groups, agricultural and urban. The agricultural are much the most numerous and include 80 per cent. of Germany's  $2\frac{1}{2}$  million proprietors. This shows what can be done in a country where the movement is well organised and has had time to take firm root. In the Punjab, less than 6 per cent. of its  $3\frac{1}{2}$  million proprietors are members, but this need not depress us, as in Germany the movement is nearly fifty years older than with us.

To make things clearer, I have put a few figures upon a blackboard\*. You will see that the village bank heads the list with 19,000 societies. After sixty years' experience—the first village bank was founded in 1862—Germany believes in it as firmly as ever, and still regards it as the foundation of her agricultural co-operative system. Both morally and materially there could be no better foundation than the village bank; materially, because credit is the basis of all business, and morally because in the village bank credit is based as much upon character as upon property. Moreover, the village bank is a school of business where the humblest peasant may take his diploma. Nor is it necessary that only banking should be done. Agricultural requirements are commonly

* Agricultural :—		Germany	Italy
Village Banks	...	19,000	2,750
Agricultural Supply Societies	...	4,500	1,000
Electricity	...	3,500	
Creameries	...	3,000	1,500
Miscellaneous Societies	...	4,500	
Urban :—			
Stores	...	2,500	6,000 (including village stores).
Craftsmen Societies	...	4,500	
House Building	...	3,000	
Urban Banks	...	2,000	800
Co-operative Farms			500
Labour Societies			2,500

supplied, and members' produce is often sold. In this way, the village bank is becoming more and more the business centre of the village, and through its moral influence it continues to uphold the best village traditions. No serious doubt is felt as to its future utility. Intensive production and the finest organisation are needed to solve the many economic problems arising out of the War. Manures, machines, improved breeding, and first-class seed are more than ever needed. Heavy taxes, too, will have to be paid. For all these things money is indispensable. A network of village banks will, therefore, be required to supply the necessary credit.

The next most important group of agricultural societies are those that supply the farmer with his professional requirements, seed, fuel, machines and manures, and that sell his produce for him. These number over 4,000, and they are an admirable example of the organisation that before the War made German agriculture the most efficient in the world. In 1914, I estimate that nearly £1½ millions were saved to the German agriculturist by these societies. Think of what that would mean to the Punjabi Zemindar. It would halve his land revenue. Though more progress has been made with supply than with sale, the latter being the most difficult form of co-operation, the sale of grain is highly developed in Southern Germany. In Bavaria, alone, there are 150 elevators. Nearly 100 of these belong to the Central Bank at Munich, which in 1919 sold as much as 280,000 tons of grain. This is a field of enterprise where the Punjab still has everything to learn.

Third on our list come 3,500 electricity societies. Many of these have their own power stations, but most content themselves with distributing electricity to their members. They are a remarkable instance of the power of necessity. If necessity is the mother of invention, it is both father and mother to co-operation. Over 2000 electricity societies have sprung up since the Armistice. The shortage of coal and oil has made light as difficult a problem as it was two or three years ago in India. Moreover, the scarcity of draught animals, their prohibitive prices and high cost of maintenance have made the use of machinery more than ever desirable, and the ever-rising wages have had the same effect. At a recent Congress in Russia, Lenin advocated the electrification of agriculture as the best means of reconstructing the country. The process has already begun in Germany, and in time may have far-reaching effects. It is a tendency which deserves careful study in the Punjab, where an abundant supply of electricity will before long be available.

Little need be said of the other two groups of agricultural societies. The 3,000 creameries have done splendid work in the past, but the State control of milk and butter has hit them hard and they are now declining.

The remaining 4,500 societies include every kind of rural activity such as cattle breeding, hiring out machines, selling fish, drying potatoes, making preserves, colonizing land, supplying villages with good drinking water, operating mills and distilleries, and even running motor car services. There is indeed almost no economic need that co-operation cannot satisfy.

I come now to urban societies. Much the most important form of these is the store or co-operative shop. Though there are only 2,500 in number, they do a business which runs to many million pounds and they have a membership which is said to embrace 35 per cent. of the urban population of Germany. They bid fair to rival the great organisation in England from which they are directly derived.

In point of numbers, societies of craftsmen form the largest group. Most of their 4,500 societies have been formed to supply the artisan and the small industrialist with the material of his craft. A good many, too, exist to find him work and to enable him to preserve his independence as master workman instead of having to hire himself out to capitalist employers for a wage. In a few cases a common workshop is maintained where all work is done for the society which takes the place of the capitalist employer. This is a form of collectivism, and as you can see it demands more loyalty and self-sacrifice than the ordinary workman is capable of, for he has to merge his entire working life in his society. These craftsmen societies have a remarkable range of membership. In Bavaria, for instance, where there are no more than 300 societies, as many as 34 different occupations are represented.

No form of urban society has multiplied more rapidly since the War than the house-building society, whose object is to provide its members at the lowest possible cost with dwellings that they can either purchase or rent. Throughout Germany, the shortage of houses has been acute. In Munich, when I was there, there were still 10,000 families requiring accommodation. This crying need has naturally given co-operation a splendid opportunity, and as large advances have been made by Government—it is the only case in which this has been done in Germany—societies have sprung up in hundreds and it is to be feared that many of them will not survive. It is a warning against artificially stimulated growth.

Finally, a word must be said about the urban banks which though the smallest of the four groups include some of the oldest co-operative institutions in the country. Co-operation began in Germany with banking, and the first urban bank was started as long ago as 1850. Since then, just as the village bank has spread from one end of the Empire to the other, so now there can hardly be a town of any importance without its urban bank. At present, the competition of the large commercial banks is a serious

danger and the future of the urban bank is therefore uncertain. It can still, however, lend at 1 or 2 per cent. cheaper than its rivals, and the smaller industries and businesses continue to regard it as a protection against the monopolist tendencies of the capitalist system.

Germany has 47,000 societies, but, it may be asked, is the movement sound? So far as the agricultural side is concerned, the answer is unhesitatingly in the affirmative, and there are three facts which show this. Firstly, a member of a co-operative society can borrow cheaper than anyone else. The commercial bank charges 7 to 8 per cent., the village bank only  $4\frac{1}{2}$  to 5 per cent. Secondly, in 1919 the deposits of co-operative societies with central banks amounted to about 220 millions, and represented over 90 per cent. of the total liabilities of the latter. Thirdly, approximately the same amount has been invested in the different War Loans, and, though this stock has fallen 20 points, the depreciation has in most cases been written off 'in toto'. There could be no more impressive testimony to the financial stability of the German co-operative banking system.

Materially, then, German co-operation is sound, but it must always be remembered that Raiffeisen, the founder of the agricultural movement, laid as much stress upon the moral as upon the material aspects of co-operation. To him, the basic principles of thrift, self-help and mutual help had almost the force of a gospel. But, as happens with every new gospel, success dulled the edge of inspiration. As long as the peasantry were thriftless, uneducated and helpless, and a prey to the usurer, the moral appeal was clear. But *in time* they became tolerably educated and prosperous, and the bonds of the usurer were broken. A vast organization was built up, in the midst of which the individual was in danger of being lost, and as business became more varied, commercial aspects grew more important. Then came the War and its shattering defeat. To co-operation this may have been a blessing in disguise, for defeat is kindling a spirit, which could never have arisen out of victory and which expresses all that is best in the German race. The long uphill fight has begun again and it is this that invigorates.

#### ACHIEVEMENT IN ITALY

It is now time to turn to Italy, a country much less developed than Germany, and in its poverty, temperament, and climate, more akin to India than any other important country in Europe. That is its special interest for us here. Italy is weak where Germany is strong. Her financial system and her general organization cannot be compared with the German. But in two fields her achievements are brilliant and beyond anything accomplished elsewhere. These two fields are the co-operative farm and the labour society which are now definitely established. They are Italy's great contribution to co-operation, and in nothing is the

deeply original genius of her people more vividly displayed. At present there seems to be no limit to the possibilities of the labour society. There are about 2,500 of them in the country. Masons, bricklayers, cement-workers, dockers, carpenters, day-labourers, carters and many other classes of manual workers have organised themselves into societies to eliminate the contractor and undertake contracts themselves. Roads are made, hospitals and factories are built, town halls are erected, and even railways are constructed by these societies. In Ravenna, a town of the size of Ferozepore, the contractor is as extinct as the tiger in the Punjab, and yet, when I visited it, contracts for 20 or 30 lakhs were actually in process of being executed. Recently, a flotilla left Venice on a maiden voyage bound for Milan over 200 miles away which it was to reach by a newly constructed waterway, and at the same time a similar expedition sailed from Milan to Venice. In both cases the enterprise was co-operative. The area devastated after the fatal battle of Caporetto in 1917 is being developed under co-operative auspices. The very porters at all the chief stations in Northern and Central Italy have formed co-operative societies to get rid of the intermediate contractor and deal with the railway direct. That labour can be co-operatively organized can no longer be doubted. The more difficult question remains whether co-operation can be applied to industry. Four lignite mines and three or four iron and steel foundries have recently been taken over from Government. Co-operative glass furnaces and printing presses are already working successfully and a variety of other enterprises have been undertaken. Of these, the most ambitious are societies of metal-workers formed to repair and even to build ships. Negotiations are actually on foot for the transfer of the great arsenals at Naples and Venice, which are no longer required, to a co-operative union which proposes to convert them into factories for making agricultural machinery. It would indeed be a happy omen if through co-operation the sword is beaten into a plough-share. If these enterprises succeed, Italy will have given the world a lead by which the industrial question, one of the most perplexing questions of the day, may ultimately be solved.

The co-operative farm is also an experiment of the very greatest interest, and to us in the Punjab with its thirty million zemindars a matter of the greatest moment. It came into being as a remedy for two evils, to eliminate the middleman rent-collector and to mitigate unemployment. There was often not enough work to go round, and as often as not the labourer was out of a job. Elsewhere, he emigrated to America very much as the Sikh of the Central Punjab does, but in some parts of Italy, he was too much attached to his home to do this. The usual methods of strike and boycott were tried, but without success. In this dilemma, some sagacious person realized that, instead of attempting to force an uneconomic

wage upon the landlord, it would be better to gain possession of the land and to increase production. The labourers of Ravenna had already formed a labour society to undertake public contracts. In 1886, this society took a lease of a few hundred acres for its members to cultivate, and this was the origin of the co-operative farm.

There are now about 500 farms in Italy, most of them in the northern half of the peninsula. They are spreading throughout the country and have taken root as far south as Sicily. Two main types have been evolved, one individualistic and the other collectivist. In both, land is rented (or purchased) by the society for cultivation by its members. In the individualistic farm each member cultivates his own plots paying the society rent in cash or in kind. The relation between such a society and its members is precisely that of landlord and tenant, with this vital difference, however, that their interests are identical. In the collectivist farm, individual possession is not allowed, or only to a very limited extent. Instead, members work for a fixed wage under the society's manager and all produce is pooled, that is to say, it belongs to the society which disposes of it for the benefit of all the members. This type is generally Socialist, and the other is mainly Catholic.

The collectivist farm goes far beyond anything previously attempted in the way of productive co-operation in agriculture. For instance, last year in the single district of Ravenna there were sixty societies, and 50,000 acres or about 20 per cent, of the total cultivated area of the district was in their hands. Of these 50,000 acres, 20,000 actually belonged to the societies. If we take the figures for 26 societies we find that their live and dead stock is valued at £ 100,000, and their annual produce at £ 300,000. 17 societies maintain stores where members do their shopping, two make their own wine, and three or four do simple banking. The high prices caused by the War have brought these farms large profits, and there is, I fear, no doubt that they have profiteered as much as anyone else. This is inevitable as long as the whole world is organised upon a profit-seeking basis. But there is this difference between the profiteering of the individual and that of a collectivist society. The individual stuffs his own pockets with the profits, while the collectivist society spends them upon the welfare of all its members. Thus, in two villages I found theatres being built out of the profits earned by the local co-operative farms. One was almost complete and had cost a lakh. It was a fine building and was capable of seating 350 persons. The other one, which was in a village only a few miles away, was even larger and was to be equipped with reading and recreation rooms as well. A point that is worth noting is that a hundred years ago not a theatre but a church would have been built; and when I said as much to my Socialist companion he shrugged

his shoulders and said there was no fun to be got out of a church. This well illustrates a profound change that is slowly coming over the whole world with the spread of the industrial system, and it is a change to ponder deeply before you make up your minds to develop that system in this country.

I have dwelt at some length upon the co-operative farm because, in its collectivist form, it represents the high-water mark of agricultural co-operation in Europe. Of the remaining three branches of co-operation in Italy, it is unnecessary to say much. There are 2,750 village banks, which, even allowing for the difference in population, is far less than the 19,000 that exist in Germany. Nor are they nearly as healthy. Gorged with deposits which there is no banking system to absorb, they are in danger of dying of a surfeit of prosperity which in so many countries the War has brought to the farmer. The people's banks, as the urban co-operative banks are called, are more active. There are 800 of these, and in northern and central Italy there is hardly a town without its bank. Then there are 1500 creameries and about 1000 supply societies, a few of which manufacture their own chemical manures. One I visited at Novara turns out 250,000 maunds every year. Another at Ravenna is building a factory which is to turn out nearly half a million maunds. These are striking achievements to which there is no parallel in Germany. Finally, there are no less than 6,000 co-operative stores scattered all over the country in town, village, and hamlet. In Germany, there are few village stores. Local competition keeps the trader in check. Here, in the Punjab, with its one shopkeeper to every twenty inhabitants we shall be well advised to follow Italy rather than Germany in this respect.

I have now given you a bird's eye view of co-operation in Italy. But you will ask, is the movement sound? In Germany, as we have seen, the movement is firmly rooted in the soil, and the future can be regarded with confidence. In Italy, on the other hand, one is reminded of the great image in the Bible whose brightness was excellent and whose legs were of iron, but about whose feet there was a suspicion of clay. It is, however, too soon to judge. Five years hence, it will be possible to separate the dross from the gold. Meanwhile, it must be admitted that the Italian in the northern half of the peninsula has a remarkable aptitude for local combination, which is perhaps the modern expression of the old instinct which made mediaeval Italy famous for its guilds and its innumerable city States. The old fervour is there, and there is an exhilaration of enthusiasm which I have not found, to quite the same extent, in any other country.

#### CO-OPERATION AND POLITICS

This exhilaration is the exhilaration of battle. Something has already been said of the rivalry between Catholic and Socialist. Evenly matched

in Parliament, each strives to outstrip the other in the country, and the co-operative society is too often the pawn of the game. Politics and co-operation are regarded as inseparable; as a prominent Socialist co-operator said to the writer: "Politics are the breath of an Italian's nostrils. He is political when he eats, he is political when he drinks, and he is political when he co-operates". Neutrality is, therefore, said to be impossible, and in any case the Socialist would condemn it. "All those", he says, "who hold aloof from the great questions of life and who would reduce it to the miserable level of a commercial business are not true co-operators". A highly placed official of the Catholic Federation, holding much the same view remarked to the writer that it was impossible to expect an Italian on joining a society to doff his ideals like a coat. It may be that to an Italian neutrality is impossible. If he thinks at all, he thinks things out. So it comes that Catholic and Socialist in Italy have evolved complete schemes of life which are unfortunately irreconcilable. Each side not only holds, but preaches its view with passionate conviction. Economic principles are translated into ideals, and ideals into dogmas which must be applied at once. This can only be done by law or by revolution. Few co-operators desire violence. Therefore, all seek political power in order to secure their ends. By political power, too, public money can be obtained, and the more important the party the larger the dole.

It must not be supposed, however, that the whole movement in Italy is given over to politics. The agricultural supply societies, many of the creameries, all the people's banks, and a section of the village banks are still neutral, because for the most part they represent the peasant proprietor who cares nothing for politics, and who, as one of their leaders remarked, does not let himself easily be caught by the throat. "Bread not politics is what we want", said one of them to me, voicing, though he knew it not, the mind of nine-tenths of the human race. Unfortunately, however, there can be no question that co-operation in Italy is saturated with politics, and the best that can be said for it is that political ties form a bond which is sometimes valuable and political ambition quickens interest and effort. If, too, politics are bad for co-operation, co-operation sometimes, though not always, acts as a moderating influence upon politics.

In Germany, the discussion of politics and religion in a co-operative society is barred by law, and though here and there, especially in the stores, a political tendency is observable, the movement as a whole is strictly neutral; and indeed it can afford to keep out of politics, as sixty years ago Raiffeisen discovered and applied to agriculture the system that the Social Democrats of to-day are trying to apply to commerce and industry. The president of the largest federation of co-operative societies



in the world, the Imperial Federation at Berlin, speaking to me with the greatest emphasis, said that a society that took to politics was as good as lost, and there can be little doubt that, so far as India is concerned, he is right.

Even in Italy, most of the leading co-operators I met, including even the Socialist and the Catholic, admitted that the political tie was an evil though, most added, a necessary evil. Like everything else it has its advantages but the price paid is too great. In the first place, it endangers unity, and unity is the *sine qua non* of a co-operative society. Secondly, it is a fundamental principle of co-operation that it knows no distinction of colour, caste or creed. This is not compatible with political partisanship. Thirdly, where banking is concerned, once politics enter, a man's view of the one will affect his judgment in the other. Thirdly, where co-operation and politics go hand in hand, one must be dominant. If it is politics, co-operation loses her freedom. Russia is a good instance of this. For there the Bolshevik has turned the co-operator from a free man into a slave, and many of the leaders of co-operation, one or two of whom I met, have had to flee the country. If, on the other hand, co-operation is dominant, the temptation to turn political power to doubtful ends may prove irresistible. The political danger is indeed the only serious danger that co-operation has to fear, and even the Italian Socialist begins to be uneasy, for the communist now threatens to split the Socialist camp in two and has already captured two of the three largest co-operative stores in the country. There can be no question then that in this India should follow Germany rather than Italy.

#### DIRECT SALE TO THE CONSUMER

If politics are co-operation's greatest danger, its greatest problem is to span the gulf between producer and consumer. At present their interests clash. The producer wants to sell at the highest price, the consumer to buy at the lowest. Some writers, emphasizing that all men are consumers, but not all producers hold that co-operation should be organized from top to toe for the benefit of the consumer. This is the view of an important section in England and of the Socialists in Italy, who say expressively that the sovereign and the dictator should be the consumer. The rival school of thought, declaring that production precedes consumption, maintains that the interests of the producer should not be subordinated to those of the consumer. This is naturally the point of view of the farmer.

This is not the place to split a lance on either side, and the controversy is only mentioned for its bearing upon the problem of the profiteer. It was stated earlier that more than anything else the profiteer and the system he represents are responsible for the growth of co-operation since

the War, and it might fairly be supposed from the rapidity of this growth that co-operation is a full and sufficient remedy against the evil. If co-operation were fully developed, this would certainly be the case; but being in its infancy it is still no more than a partial remedy. To eliminate the profiteer, producer and consumer must deal with each other direct. At present, the profit-seeking middleman is always interposed, and his example compels the producer, *even when he is a co-operator*, to demand the highest price he can get. And so, when he gets the chance, the producer turns profiteer as well. In Italy, as we have seen, the co-operative farms have made as handsome a profit out of the War as any profiteer. In Munich, a society of thirty tailors recently declared a dividend of 90 per cent. earned by the prices they had charged for their suits. Instances like these might be multiplied. The fault lies not with co-operation, but with the capitalist or profit-seeking system which still holds the field. Under this system, everything is determined by the jungle law of supply and demand. If supply exceeds demand, prices are low; if the reverse, prices are high. It is because the War has produced universal scarcity in goods, combined with an almost universal depreciation of currency, that prices have soared, and with the soaring of prices the profiteer stands out bloated and unashamed. If the world were entirely organized on a co-operative basis, this would be impossible, for the function of co-operation is not to earn profit but to perform a common service. Ultimately, its aim is not to procure the highest price for the producer or the lowest for the consumer, but a fair price for both.

This, however, can only be done if, firstly, producer and consumer deal with each other direct, secondly, if an authority, at once impartial and representative, can be created to determine in each case what is a *fair* price. This infinitely difficult task was attempted during the war by Government, but few now are advocates of State control. Control, therefore, if control there be, must be co-operative, and means will have to be found to give it effect. Meanwhile, in Germany and Italy direct sale to the consumer is now in the forefront of the co-operative programme, and though not much has yet been achieved, a definite start has been made. It must be some time before much can be done in India, as co-operative sale here is still in its infancy. But, when this is developed, the further step should not be difficult, as producer and consumer both belong to the same organization, which should, therefore, be able to arbitrate between them. In other countries, there are always conflicting unions and federations representing different interests, but in India, in each Province, all societies are affiliated to a single federation. This is a great advantage and it should be jealously guarded

## AIMS AND IDEALS

No movement is likely to develop successfully unless it has a clear idea of where it is going. As a great writer says, "Without an imaginative conception of what kind of civilization we wish to create, the best Government, either national or foreign, will never avail to lift us beyond national mediocrity". And it is nothing less than a new civilization that co-operation seeks to create. Aims and ideals are, therefore, of supreme importance. In Germany, all energies at present are bent upon reconstruction. But it is realized that the more democratic regime, which for better or for worse defeat has brought with it, gives co-operation a special opportunity, and it is felt that in the new democratic Germany the co-operative society, which has always been essentially democratic, must become the cornerstone of the economic life of the country. Co-operation is regarded as a happy compromise between capitalism on the one hand and socialism on the other, as it secures to the individual his full economic liberty, which the other two systems in greater or less degree restrict. Though there are nearly 35,000 agricultural societies, this is not considered sufficient. As a recent annual report says, "Only then will co-operation attain its full life and power for good, when the significance of a common fellowship in co-operative work penetrates not only into every hamlet and village, but also into the remotest cottage."

In Germany aims are essentially practical, in Italy essentially ideal. The neutral societies, which perhaps number a third of the whole, are bent only upon supplying the economic necessities of their members. The Socialist, on the other hand, has a clear-cut scheme for reconstructing the whole economic world. Bitterly opposed to the 'Borghesia', as the middle and propertied classes are called, he desires to form a 'nuova societa', a new social order, by nationalizing all the means of production, distribution, and exchange, and bringing everything that cannot be nationalized under co-operative control. The middle classes he would eliminate, except so far as they are prepared to serve socialist masters. Collectivism (not communism) is the ideal, and in greater or less degree the collectivist tendency is emphasized in every Socialist society. Thus the labour society is often but another form of the trade union, and equal distribution of work counts for more than either the quantity or the quality of the output. In the Socialist farm, the collectivist form is preferred to the proprietary. That is to say, produce is pooled and members receive a share of the pool but no share in the land, which the society jealously guards for itself. Similarly, the large store society is preferred to the small. At every point, individualism and private

property are curtailed as they foster egoism, and egoism is regarded as the root of original sin.

To this the Catholic replies that, if the Socialist had his own way, the dictatorship of capital would only be replaced by the dictatorship of the proletariat, and the egoism of the individual by the egoism of the mass. Socialist and Catholic are indeed diametrically opposed. The Socialist preaches collectivism, the Catholic individualism, tempered and purified by co-operation and religion. The Socialist's ideal is the collectivist farm, the Catholic's the peasant proprietor. Working with human nature instead of against it, the Catholic would give as many as possible, however humble, a stake in the land, believing that property and good citizenship go hand in hand, and that as Christian charity is the basis of co-operation, its moral aspects must be emphasized, or it would fail in its purpose. It is freely said that religious as well as moral aspects are all-important, and it is certainly the case that only good Catholics are admitted to village banks. A non-Catholic may question the wisdom of this policy, but it is impossible for a Christian not to sympathize with the emphasis that a Catholic lays on Christian fellowship and moral obligation. Similarly, however little one may believe in the Socialist's utopia of collectivism, it is equally impossible not to admire the earnestness of his purpose and the enthusiasm of his hopes.

But co-operation, of which so much has been said, is something more than a system. It is a spirit, an attitude of heart and mind, never more needed than it is to-day. "The conquests of the secrets of nature", says a recent writer speaking of the present condition of the world, "is child's play in comparison with the overcoming of the difficulties of human co-operation". Yet, as in the hour of need men turn instinctively to religion, so now in the hour of economic need men are turning more and more to co-operation, for co-operation is religion applied to business. It is not that business is immoral, but that the capitalist or profit-seeking system which prevails is dominated by the fundamental law of its being, that the maximum profit and nothing but the maximum profit must be earned. No system has ever been more efficient for production or more unequal for distribution. By its very nature, it is unable to protect the weak against the strong, the many against the few, or the community against the inevitable strife of labour and capital. On the other hand, it is of the very essence of co-operation to strengthen the weak, to protect the community and to give fair play to all. Great the task but fair the prize. To gain it one thing is indispensable. Societies innumerable may be founded, vast enterprises may be undertaken, but if the co-operative spirit is lacking, the spirit so well expressed in the old phrase

'each for all and all for each', ultimately all will be as 'sounding brass or a tinkling cymbal'.

MALCOLM DARLING

### CO-OPERATION AMONG SCOUNDRELS

It was Ruskin who said that what he feared most was co-operation amongst scoundrels. Was his fear just? He made a statement which emphasised one side of co-operation which is apt to be lost sight of, namely, the moral side.

It would be well to bear in mind that co-operation might be looked at from two points of view, the moral and the business. In Europe (and for a matter of that in all countries where the Raiffeisen and Schulze Delitzsch methods are copied) the business side of co-operation has come to assume a greater prominence and the moral side of it has been neglected, if not entirely lost sight of.

In India, this tendency to neglect the moral side has been but too apparent. And this need not be wondered at, since we have copied the Raiffeisen and the Schulze Delitzsch systems to the letter. We have not given co-operation any tinge of our own civilization and culture. The East is essentially spiritual and the West essentially materialistic, and unless we give to whatever we borrow from the West a spiritual tinge we cannot Indianize it.

If we would for a moment reflect we would see that steeped in materialism as the West is, it is no wonder that the business side of co-operation appealed to it more than its moral side, though the originator of the Raiffeisen type started his societies professedly with the object of improving the *moral* and the economic condition of its members. But as time went on, the moral side of co-operation was lost sight of, or, if not lost sight of was given a secondary place in the working of the co-operative movement, and the business side of it alone received more and more attention.

In copying co-operation from the West, we, in India, have unfortunately copied this tendency of assigning a secondary importance to the moral side of the movement. We Indians should see that this process is reversed, not because the business side of co-operation does not count, but because the moral side of co-operation is so important that once the moral tone prevailing among the members of a co-operative society is improved, the improvement in the business morality of the members would follow as a matter of course. Just as a moral man would scorn to adopt questionable methods of doing business so also will the members of a

society, being all moral men, conduct their business disinterestedly and for the benefit of all. What Ruskin meant when he said that he feared co-operation among scoundrels was probably that scoundrels might be quite good men of business, and as successful men in business mislead society. Taking them morally they might be scoundrels, but in business they might be quite successful.

As all co-operators know, a good co-operative society works in complete unison, and each works for the interest of all. Selfishness is subordinated to disinterestedness. In a co-operative society a member while looking to his own interests looks to the interests of his fellow members also, and in all his transactions he is careful to see that the interests of his fellow members do not suffer nor is the good working of the society jeopardized. To do this there must be a fellow-feeling amongst all the members. Their angle of vision must be more moral than material. And to bring this about it is essential that the moral tone of the society should be improved. When one visits such a society though one might see careless accounts kept one will never detect a dishonest dealing or a fraudulent transaction.

The officials of Co-operative Departments in India are themselves apt to look more to the business side of the movement than to its moral side. Whenever they visit a society their first duty is to look to the account books. They are anxious that accounts should be well kept, there should be no discrepancies in the entries, all receipts for money paid should be forthcoming and so forth. It is easy to see that any clever scoundrel could manage to do this without fear of detection, at least for a long time to come. Whereas, in a society the morality of whose members is undoubted, one might discover lax business methods, but never any deliberate attempt at hoodwinking members and outsiders.

What has been said will, it is hoped, bring home to readers, especially co-operators in India, the importance of the moral side of co-operation. This movement has its own ideals and it is idealists that are wanted to work it—idealists gifted with practical common sense. It follows, therefore, that the men entrusted with the working of the movement should be men of a certain faith—a faith which is essentially optimistic, which believes in the uplift of not only this nation or that but of humanity in general, which believes not in the doctrine “I am not my brother’s keeper”, but that each one of us is necessary and complementary to the other, and that with our united efforts it is possible to leave this world, at the end of our lives, a little better than we found it when we came into it. It is such men that are wanted to work the movement. Let not all the droves and the outcasts of the other Departments of Government get into it.

Let not men try this Department as a last resort. Convinced of the good work we are doing, united in our ideals, firm in our resolves, and unfaltering in our duty, let us march on to the good goal that awaits us, and that grand goal is the uplifting of humanity itself by co-operation.

M. ABDUS SATTAR

### CO-OPERATION ON THE NIRA CANAL

When the success of the co-operative movement is being questioned in some quarters it would not be out of place to mention some impressions of the progress of co-operation in the Nira Canal area. The history of this group of societies of sugarcane goowers on the Canal would appear to furnish reliable data for a survey of the economic benefits of co-operation in that part of the country.

The agriculturists were financed by Government for some time after the Canal was opened. The Canal has proved a great boon to the area and has in fact changed the whole aspect of the country. Agriculturists occupying fields on the Canal have not now to depend on the vagaries of the monsoon, as other people of this country have to do. The Canal guarantees them the required water for their crops at comparatively small cost, and has enabled the agriculturists to raise very rich crops yielding large profits; and the price of the land on the Canal has, in consequence, increased very much. The area was previously very notorious for thefts and robberies of a daring nature, and a great exodus to Bombay and elsewhere is yet fresh in people's minds. Both these conditions have now almost disappeared, and this result can well be attributed to the changes consequent upon the introduction of the Canal.

But the mere opening of the Canal or the grant of Tagavi loans by Government would not by themselves have brought about the condition of things referred to above. Doubtless, they helped the situation a good deal, but the direct cause of this happy result is the establishment of the co-operative credit societies in the Canal area. The co-operative guaranteeing unions since brought into existence are still more directly responsible for the improvements. In fact, all these institutions have played their part in transforming conditions in the Nira valley. The societies enabled small cultivators to get credit on fair and easy terms, and the guaranteeing unions considerably facilitated development by assuming responsibility for supervision and assessment of credit.

The work of the Bombay Central Co-operative Bank in building up the entire structure cannot be lost sight of. By opening a Branch in the Canal area at Baramati, banking facilities are afforded to all the people of

the Taluka who are connected with the sugar-cane business either directly or indirectly. The introduction of the system of cheques for cash payment is very well known in this area and members of societies fully appreciate its advantages. The Bank has opened shops for the disposal of jaggery and the supply of manure and implements of husbandry. Joint sale is arranged at the shops by public auction. Manures are indispensable for rich crops such as sugarcane, and different varieties are purchased in bulk according to indents. The shops at Baramati and Nira, 25 miles apart from each other and both in the midst of large markets for jaggery, are indeed a most welcome attempt to eliminate the middleman. They also ensure the employment of funds for productive purposes, and appear to be almost a *sine qua non* of large-scale agricultural finance. They have hitherto worked at a profit, maintaining separate accounts, though keeping in close touch with the Branch.

There are thirty societies affiliated to the Bank and of these eleven have formed three unions. The total lending by the Bank has averaged to Rs. 5,43,986 and odd, and the working capital of the societies to Rs. 7,78,632-8-0, between 1911-12 and 1920-21. The financing by the Bank is both adequate and reasonable. The local deposits have amounted to three lacs of rupees in round figures, one-third of which are from members themselves. This is principally built from the 5 per cent. compulsory deductions from the amount of loans advanced. The reserve funds of all these societies have reached a little over a lac of rupees. All these figures tell their own tale.

Responsibility for assessment of credit and for supervision has been entrusted to the Special Mamlatdar who in addition to valuing the assets in land assists in the fixation of maximum normal credits for individuals. In view of the large amounts involved great care has to be exercised in scrutinizing applications for advances and in watching over the use of loans made. It was indeed on this account that a failure or two of crops was tided over by the societies and the Bank. The large arrears have since been substantially cleared off and no anxiety is now felt on this account.

The Malegaon Rural Society which is the biggest and most well managed in the group cannot go unnoticed. The members' deposits in that society amount to Rs. 40,000, and deposits from non-members to Rs 66,000. The reserve fund has now grown to Rs. 28,000. The main credit for this very successful institution is due to Sardar Raja Shambhusing Jadhavrao, who it may be observed represents this important group on the Board of the Bombay Central Bank. The society is a good model for chiefs and Inamdars.



It is not intended to suggest that the goal is reached and that no further improvements are possible. The writer is of opinion that the shops should now be run by a purchase and sale society to be specially started by the credit societies in the group. As the required capital may not be forthcoming from individual members, the reserve funds of societies in the area may profitably be allowed to be invested in the business which is more or less of an agency type. These constituent societies may invest the whole or a portion of their reserve funds in buying shares of this new venture, and it is hoped with the experience already obtained there should be no difficulty felt in the management of these shops.

The compact area within which these societies are started presents some features for a producers' movement on some organised basis. A couple of members have introduced machinery for crushing sugarcane, thus obtaining better extraction of juice and prompt crushing at low cost. This is a paying proposition and introduces at the same time, a labour-saving device in a tract where labour is scarce. People owning a sufficiently large area under sugarcane can profitably run power crushers owned either singly or collectively.

Industrialists from Bombay have taken time by the forelock, and a large sugar factory to be worked by steam power is under construction within the limits of Malegaon, and the Raja Saheb of Malegaon has again played an important part in promoting this enterprise and in getting the Hon. Mr. Jalubhai Samaldas to float a company. Throughout the area, the writer noticed vast possibilities for producers' societies on co-operative lines, and it is his heartfelt desire that in course of time the Bombay friends may bring about an arrangement to enable the people themselves to organize the manufacture of sugar and to control the local industry themselves.

The joint secretaries who hold charge of a group of two or three societies are well trained. They are whole-time workers and draw Rs. 35 or so as a monthly wage. Almost every third or fourth day they have some entries to make in the books and the societies appear to be run as rural banks and not as money-lending societies merely. These secretaries can now be trusted to look after the routine work and if the newly appointed Advisory Committee of the Branch assumes responsibility for supervision, the Special Mamlatdar can be spared for some other part of the country. The present incumbent, Mr. R. V. Patvardhan, is just the officer for the work of organization, assessment of credit, and supervision of the special type of societies, and if his services are utilized in other parts of the Presidency, such as the Pravara or Gokak Canals, very good results can be obtained. The writer was very much struck by the accuracy with which the assets were valued and maximum normal requirements

were registered. The people must, however, learn to be self-reliant, and a day should be within sight when this end is achieved.

Agriculturists on the Canal have numerous grievances against the Irrigation Department, and the scene enacted by them at the last Provincial Agricultural Conference is not easy to be forgotten. But this is a matter lying outside the province of this note. Reference may, however, be made to some questions very closely connected with the canal area. These are :—

- (1) The danger of exhaustion of land by the same crop.
- (2) Water-logging and want of drainage of the irrigated water affected by the chemical fertilizers.
- (3) The prevalence of malaria.

The first danger is partly met by the fact that the Irrigation Department compels that only a third of the area should be irrigated and the remaining be sown with dry crops; but one-third is sometimes the self same and canes are every year grown thereon. If there is no rotation of crops the yielding capacity of the lands must be affected. This question requires the serious attention of the Agricultural Department of Government. As regards the second, it may be observed that if no attention is paid thereto by Government the land in the neighbourhood will be water-logged and rendered saltish and unfit for its legitimate use. Water-logging leads on to malaria and so the two questions are interconnected. Government should now take stock of the agricultural conditions on the Canal ere it is too late. An expert inquiry into all the three directions in the entire Canal area will undoubtedly repay the cost and the trouble involved.

A. U. MALJI

## PROGRESS OF CO-OPERATION IN INDIA

### BIHAR AND ORISSA

The total number of co-operative institutions in Bihar and Orissa was 3,580 at the close of the year 1920-21, as against 3,011 co-operative societies registered upto the close of the previous year. The increase in numbers would have been still more considerable had not the central banks felt that the rate of growth outstripped their powers of supervision. The only method that will ensure ordered growth is, in the view of the Registrar, the organization of guaranteeing unions. Mr. Mohuddin Ahmed is confident that there is a genuine demand for new societies practically all over the Province, the reason for such demand, according to him, being the immense moral material improvements which follow in wake of the movement. Apart from the saving in interest secured by the societies, which he calculates at about a quarter of a crore, the Registrar affirms that the money-lender has come to recognize that

competition with co-operative credit societies is a fruitless task. The sowkar has, a number of banks mention in their annual reports, been forced to reduce his rate of interest. Everywhere again there are signs, and the Report contains definite statements from several parts of the Province, that previous debts have been paid off, lands redeemed from mortgage, and fresh lands purchased. Works of land improvement have been initiated and the desire for education stimulated. About fifteen societies work entirely on their capital and have eschewed outside borrowings, a healthy sign from one point of view.

The number of agricultural societies increased during the year from 2,774 to 3,247, their membership rose from 79,732 to 95,112, and the working capital from Rs. 38,08,758 to Rs. 48,32,591. The system of instalment shares of Rs. 5 to 10 each has been introduced in some districts, and in addition to supplying a regular increase of owned capital, the adoption of shares is supported on the ground that the practice will serve to emphasise the sense of partnership among members as they have to contribute to the common fund in this tangible shape. The amount held by the societies as deposits from members increased during the year by about twenty thousand Rupees to Rs. 1,86,395. This is a very poor amount for the large number of societies in the Province, particularly as hitherto the members had not to make payments for shares as in some other Provinces. The amount of deposits held from non-members was under two lakhs, and as a lakh and a third represented deposits in one individual society the outside deposits attracted by agricultural credit societies is seen to be very meagre. Reserve funds amounted to Rs. 6,77,286. Owing to an unfavourable agricultural season and the prevalence of high prices, repayments amounted to 57 per cent. of the demand, but under the circumstances, the Registrar believes, recoveries were satisfactory.

Societies for the sale of agricultural produce increased in number from 16 to 23. They had a membership of 286, and a working capital of Rs. 16,852. The high hopes that were entertained about the societies do not appear to have been realized. Some of the societies have not only held up stock in anticipation of some rise in prices, but have gone beyond their province and purchased stock from outside for purposes of profiteering and speculation. The workers in the societies appear to have missed the main object of the movement, which was to save the members from being compelled to sell their grain immediately after harvest when prices are low, in order to pay their dues in the shape of rent, land revenue or debts, and from being deprived of their annual stock for consumption. Another type of society which has a similar end in view appears to have fared slightly better. These are grain banks or Dharmagolas, the number of which increased

from 10 to 31 during the year under report. The membership increased to 10,753, and the working capital to Rs. 13,115. The object of these bodies is to afford relief to members by giving them loans of paddy at reasonable rates of interest and to create a reserve stock of grain for use during years of famine and scarcity. The banks have served to keep down prices in times of scarcity and in one place provided a valuable agency of relief when owing to floods communications had been cut off.

Non-agricultural societies increased in number from 134 to 211. Their membership was reduced owing to the dissolution of a Mission society, now proposed to be split up into several societies. There was, however, an increase in the working capital from Rs. 7,52,773 to Rs. 9,53,869. 112 were credit societies, 62 of the limited and 50 of the unlimited liability type. Among the former were 48 societies for the employees of several offices and departments. The whole of the capital in these societies amounting to over three lakhs is composed of shares, reserves, and savings and other deposits from members, and resort to outside borrowing is prohibited. There were three people's banks and two societies for contractors, a type of institution whose place it is difficult to assign in a movement one of whose objects is the elimination of all middlemen, entrepreneurs and contractors. There were eighteen societies for fishermen with a membership of 240 and a working capital of Rs. 13,111. These have proved very useful in enabling the fisherfolk to purchase their own boats and nets and to dispose of their catch jointly on favourable terms. The Report does not give the number of weavers' societies but there seem to be about twenty of these in the Province, granting advances, supplying yarn, and introducing improved implements such as the fly shuttle-loom. Among other societies for artisans there are a society for oilmen, three for carpenters, two for blacksmiths, four for tailors, two for potters, and eleven for shoemakers. There are half a dozen dairy societies and one co-operative mill which has had to be dissolved. Stores numbered 23 and comprised stores for weavers for the supply of yarn and the sale of finished products, stores for the staff of offices, general stores and stores for students. The last named are reported to be the most efficiently managed institutions in the group.

At the apex of the financial system there is the Provincial Bank, which increased its capital during the year by six lakhs to Rs. 15,39,620. Shares and the reserve fund amounted to nearly two lakhs and the rest of the capital was obtained by deposits, about five lakhs and a half being derived from co-operative institutions. Five new central banks were opened during the year, the total number being 41. They had a membership of 3,495 and a working capital of Rs. 49,67,818. Of this, shares and reserves constituted eight lakhs, and outside deposits 35½ lakhs. Cash

in hand amounted to 9½ lakhs, but the Report does not mention if there was any other provision beyond this for fluid resource. Most of the districts are now served by more banks than one, and for the purpose of securing further decentralization in supervision it has been decided to appoint resident directors and to organize guaranteeing unions which increased in number from 63 to 79. The number of societies affiliated to unions rose to 536. The expenditure incurred on supervision was only Rs. 2,551, but the Registrar is satisfied about the standard of efficiency achieved by unions and is convinced of their utility in ensuring effective supervision and accurate assessment of credit. Mr. Mohiuddin Ahmed indicates the essential features of any system of sound rural banking and while emphasising the need for adequate financing by central banks observes that careful financing precludes rigid limitations. Reduction of amounts of loans mechanically compels members of societies to resort to Mahajans for financial help; and occasionally the suspension of credits as a disciplinary measure mars the whole future of a society. Collections during the year were satisfactory, amounting to about 64 per cent. of the demand, but suspensions were necessitated by the prevalence of agrarian distress in some parts of the Province.

Central banks in Bihar and Orissa play a very prominent part in promoting agricultural improvement. They work often in close co-operation with local officers of the Agricultural Department, and are used as agencies for the propagation of approved varieties of seeds and manures. Some banks undertook the work of popularizing Pusa wheat, others encouraged the introduction of the ground-nut crop, and a few interested themselves in the distribution of approved potato seed or Indrasal paddy. Two or three banks went in for the purchase of sugarcane crushers for hire to societies. Bulls are also maintained by some banks for breeding purposes. Several central banks have made large advances for the digging of wells, and others for the erection of bandhs, dams and embankments, and for deepening or repairing water channels. Reference must also be made to the part played by central banks in promoting schemes for the extension of educational facilities. As a result of the active propaganda carried on some districts, primary schools and pathshalas are started in villages with societies, while in others societies and banks contribute towards the upkeep of local schools, and give free studentships and stipends to teachers. In a few places, classes have been held weekly to teach the adult members of societies the elementary principles of co-operation. The banks have also been instrumental in reducing the volume of litigation by prevailing upon members to get their disputes settled by arbitration.

A Provincial Federation corresponding to the Federation in the Central Provinces was founded in Bihar and Orissa some four years ago, but it is

still without an elected Governor and continues to depend for its income on large subventions from Government. The lines of work of this Federation are more or less identical with those of the Federation in the Central Provinces and it has to run a large establishment of auditors and other officers. In addition, the Federation provides arrangements for the training of inspectors, managers, supervisors and auditors, and also maintains its own printing press.

#### CENTRAL PROVINCES & BERAR

It is a matter for regret that although the Report on the Working of Co-operative Societies in the Central Provinces & Berar for the year 1919-20 was issued some months ago, owing to its non-receipt in the office of this journal, its review has had to be delayed unduly. The Central Provinces rightly enjoy a high reputation for having evolved a well-planned organization for rural credit, and in point of numbers take rank only after the Punjab among all Indian provinces. During the year 1919-20, when the Province enjoyed on the whole a fair agricultural season, the rate of progress achieved in the previous years was maintained. No less than 588 new primary societies were registered during the year, and the total number of agricultural credit societies increased from 3,871 to 4,421. The membership increased from 62,612 to 71,039, and the working capital from Rs. 69,40,497 to Rs. 93,27,320. Mr. Hoyle, who presents the Report as Registrar, objects to the criticism appearing in a previous issue of this journal that primary societies are not regarded as the true centre of administrative gravity in the Central Provinces. While accepting his declaration that such a view is based on a misconception, one may point to the weaknesses in the foundation stone of the provincial edifice of credit as they strike an outsider. In the first place, the average membership which is only 16 is too small for an institution which aspires to be a vital force in rural social life. Secondly, there is a danger involved in an undue dependance on central financing agencies, and it is not a healthy feature that nearly ninety percent. of the working capital should be derived from this source. Though the sum of 7½ lakhs accumulated as reserve funds assists raising the proportion of owned capital to a decent figure the real savings of members in their individual capacities attracted to the movement amount to Rs. 1,66,193 or less than two percent. of the total capital. And these increased during the year by less than a quarter lakh. The societies have again not established any local credit as village banks and outside deposits total less than a third of a lakh. The central banks too are "over-suspicious" and do not allow primary societies sufficient latitude in this respect. The clerical and administrative work as well as account-keeping have to be entrusted to outsiders, and although central and provincial agencies for finance, supervision and control have been developed, the movement has not pro-

duced local workers in sufficient numbers to carry on the simple duties of secretaries of petty village banks.

On the other hand, there are certain satisfactory features which are evidence of an essentially sound movement. Organization is regulated according to the capacity of existing agencies to supervise new societies, the system of supervision has been developed on a responsible basis, adequate finance is forthcoming, and intimate touch is maintained between the primary societies and their banks. The question of redemption of old debts is not neglected, and in the year under report 30 per cent. of the amount advanced by primary societies was employed in repayment of old debts. In the Akola district a land mortgage debenture scheme has been introduced under which Rs. 27,400 were advanced to societies and as many as 103 members of 31 societies have hitherto been completely relieved, with these advances, from the pressure of the outside money-lender. Recoveries amounted to about 84 per cent. of the loans repayable during the year. Considerable attention was devoted during the period under report to the grouping of primary societies into circle unions on the Burma model, and the Registrar holds the view that such unions provide an eminently suitable intermediate organization between the primary society and the financing agency whose powers of supervision and control are limited. Mr. Hoyle is right in taking the view that small banking unions on the Punjab model are a complex organization which can be developed only after some systematic preliminary training in business methods either by the Co-operative Department or by higher financing agencies. The main objection against guaranteeing unions advanced by critics like Mr. Henry Wolff and others is that the credit of a union is regulated by the combined credits enjoyed in the preceding year by the primary societies constituting the union. This undoubtedly is the basis of the guarantee under the Burma system, but as Mr. Hoyle points out the actual credit is determined by the financial soundness of the societies, and by the knowledge of and adherence to co-operative principles observed among of their members and office-bearers. In the Central Provinces, co-operators have proceeded with the formation of new unions and the number of these increased during the year from 206 to 294. The number of affiliated societies increased from 976 to 1,351. The only criticism that may be made in this connection is that the unions do not appear to be permitted to engage their own staff, and that just as the entire administration of primary societies is conducted by a body not directly responsible to members, the work of supervision under unions too is carried on by the same agency responsible to a central authority.

The number of agricultural non-credit societies in the Provinces was 35. Five were associations formed for the purchase and sale of implements and other agricultural requirements. These effected sales to the extent of

Rs. 26,917 on a working capital of Rs. 14,890, half of which was "owned" capital. In addition to the purchase of ploughs and other implements for hire? some associations organized the supply of articles such as concentrated cattle foods, manures, and spare parts of agricultural machinery. There were two cattle breeding societies and one cotton ginning society in the Province. All the three institutions are reported to have worked satisfactorily. The remaining 27 societies were seed unions for production and distribution of pure seed. The total quantity of roseum seed distributed from seed farms and unions in Berar was 3,327,253 lbs., sufficient to sow 300,000 acres. In the north, village seed unions were started in some districts. The capital is collected by fixed contributions of seed which is sold or exchanged for pure seed. The latter is issued to selected members on the Sawai system, and it is expected that in the course of a few years the whole of the area in the different villages will be under selected varieties. The profit is to be devoted to the purchase of improved implements for hire to members.

The total number of non-agricultural societies was 99 as against 75 in the previous year. Credit societies numbered 64. Six were limited liability societies with a membership of 764, and a working capital of Rs. 89,196. Practically the whole of the capital was contributed by members themselves. The other 58 societies had a membership of 769 and a working capital of Rs. 48,363. The majority of these societies were for weavers, though there were a few societies for basket-makers, potters, goldsmiths, and metal-workers. The latter worked fairly well, while the weavers' societies do not seem to hold out much promise. No attempt has hitherto been made in the Provinces to get the societies to obtain for the weavers yarn and to assist in the sale of finished cloth. The provision of credit can hardly improve the economic position of weavers unless it is accompanied by arrangements for supply and sale. The most notable feature of co-operative progress in the Provinces during the year was the large increase that occurred in the number of co-operative stores. The stores numbered 31 as against 7 at the end of the previous year. They had a membership of 2,997 and a total working capital of Rs. 1,86,878. Sales during the year amounted to Rs. 3,33,005. Much consideration was given to the question of defining the lines of development and a general consensus of opinion was obtained on such matters as the pricing of goods, sales on credit, the regulation of powers of borrowing, and the relations of Government with the consumers' movement. The principles underlying this movement were elucidated and the introduction of the stores in the co-operative movement is being actively promoted both as providing an immediate means of economy and as supplying a suitable agency for the development of home industries. The attitude



of Government towards this movement was defined more or less on the lines formulated by Mr. Ewbank in this Presidency in 1919. The stores were placed under the general supervision of the Deputy Registrar, who also maintains a bureau of commercial intelligence and issues a fortnightly bulletin containing information on topics of interest for stores such as sources of supply, lists of weights and measures, notices of samples of goods and so forth. It further offers advice on matters like joint purchases, combined indenting, fire insurance and the like. Grocery and provisions have formed the chief departments in the stores, some have added oilman's stores, while a few undertake the supply of all domestic requirements. 16 out of the 23 consumers' societies have made substantial profits. It may be noted that advances by central banks to stores are discouraged and that of the total capital less than thirteen thousand represent outside borrowings. Seventy per cent. of the capital was derived from shares, and the balance was obtained in equal proportion from members' and non-members' deposits. Of the remaining four non-credit societies two were societies of Gowlies; one a dairy and a motor union.

The number of central banks remained 34, but the working capital increased from Rs. 83,32,491 to Rs. 1,08,37,636. Of the aggregate share capital of Rs. 16,87,491, Rs. 9,83,467 were contributed by primary societies and their members. Deposits amounted to Rs. 54,52,437—an increase of ten lakhs over last year's figures—and the reserve funds to Rs. 3,33,547. The surplus funds of central banks held in deposit at the Provincial Bank amounted to Rs. 21,81,273. The market value of other investments amounted to Rs. 7,46,020 and the cash in hand to Rs. 2,73,781. The constitution of the Provincial Bank underwent modifications of considerable importance in the year under report. The shares of all individual members were redeemed, and the Bank is now entirely owned by all the central banks in the Provinces. It is managed by a board of directors consisting of five elected representatives of the banks, one of whom acts as the managing director. The working capital of the Bank increased in the year from Rs. 37,23,047 to Rs. 41,48,878. Three lakhs represented the share capital, a lakh and a quarter the reserve fund, twenty-two lakhs the surplus funds of central banks, and the remaining fifteen lakhs outside deposits and loans. The amount of fluid resource held by it at the close of the year on behalf of the movement amounted to Rs. 6,30,778. Its own investments are, however, shown as Rs. 17,23,178. The new arrangement under which the central and provincial banks would share the responsibility for providing fluid resource, instead of having the resource centralized in the Provincial Bank, did not come into full working order in the year under report. The question has now academic interest only, as owing to the grave crisis which

threatened the higher financing agencies in the Provinces last year, a thorough re-examination of the basis of the financial arrangements has been undertaken in accordance with a resolution accepted in the local Legislative Council.

Lastly, reference must be made to the work of the Central Provinces Co-operative Federation. It is noteworthy that in the Provinces, in addition to the Registrar, his office establishment, and three Deputy Registrars, the entire Government staff of the Co-operative Department consists of only 35 auditors. There is a large establishment of inspectors, sub-auditors, supervisors and other officers, consisting of no less than 283 men, and involving an expenditure of a little over three lakhs of rupees. This staff, however, works under the orders of the Federation, a provincial organization composed of all primary societies, central banks, and unions. The chief executive authority is the Governor of the Federation, who is assisted by a elected Council. The Governor has been relieved of his duties in connection with Provincial Bank, which arrangement tended to centralize control in one individual to an undesirable extent. In addition to the control of the staff, the Federation devoted during the year much attention to questions of organization and propaganda. A special staff was appointed to assist in the organization of unions, and classes were opened at selected places for the training of literate members of societies in accountancy and audit. Parties of co-operators were also conducted on tours for the purpose of practical demonstration. There is scope, however, for the further democratization of the organization, and it is a matter for regret that the Congress of the Federation refused to agree to a proposal that the delegates of central banks should invariably include two representatives of rural credit societies. Unless this is done and autonomous powers conferred on unions and primary societies, the movement in the Provinces will not be placed in that position of responsible direction by elected representatives which alone can lead it to its goal of an ordered co-operative commonwealth.

#### ASSAM

Under its new full-time Registrar, the co-operative movement in Assam is being consolidated and extended. The main impediments in the way of progress were the inadequacy of the supervising staff and the dearth of capital. The number of inspectors under the Registrar has been increased and the establishment of a provincial bank has been decided upon with a view to improve the existing financial facilities. Even during the year 1920-21, there was a substantial increase in the number of societies and in the working capital of the movement. Agricultural societies increased in number from 412 to 494, their membership rose from 18,520 to 21,638, and their working capital from Rs. 5,15,439 to Rs. 6,15,279. Over 40 per

cent. of the capital is contributed by the members themselves. Rs. 82,614 represented their deposits and Rs. 1,68,567 the aggregate reserve funds. The share system seems to have been introduced only in two districts and that too recently. The amount of capital available per member is only Rs. 27—a very low figure indeed—and one is inclined to suggest that there should be no extension of the movement until arrangements have been completed for the adequate financing of the existing societies. The figures of recoveries are described by the Registrar as satisfactory, although it is observed that over half of the loans outstanding are in arrears.

There are no agricultural non-credit societies, but the Registrar refers to some societies which have been instrumental in the introduction of improved agricultural machinery. It is also mentioned in the Report that several societies have out of their funds founded scholarships, erected or repaired school houses, constructed village roads, and assisted public dispensaries. Non-agricultural societies increased in number from 45 to 49, while their membership rose from 5,517 to 6,446, and their working capital from Rs. 4,20,980 to Rs. 5,37,823. Credit societies numbered 24. These had a membership of 3,186 and commanded a working capital of Rs. 4,38,703. Over 60 per cent. of the capital in these societies is owned by the members, and the greater portion of the balance is derived from non-members' deposits. The remaining 25 were non-credit societies, mainly stores. The membership of these societies was 25 and their working capital Rs. 99,120, 70 per cent. of latter being "owned" capital. Sales amounted to over three lakhs of rupees during the year. There were two purchase and sale societies but these do not seem to have worked successfully. There is no mention of any weavers' societies, although the Registrar writes about the introduction of fly, shuttle looms and sleys through the agency of co-operative societies. There was one society described as a weavers' 'union', though the membership of this consisted only of individuals. Another weavers' union of the same type appears to have been voluntarily wound up during the year.

Inclusive of the weavers' union referred to above, the number of central societies in the province was 15, as at the close of the previous year. The working capital of the central societies increased during the year from Rs. 4,80,403 to Rs. 5,30,903. Of the 14 central banks, two are town banks which invest the bulk of their capital in advances to individuals. Of the capital of the central societies, therefore, nearly a quarter is not available for agricultural credit societies, and the amount outstanding from societies to central banks is shown as Rs. 3,21,096. With the exception of the two town banks, and the Pioneer Bank at Shillong, the other central societies are very tiny institutions and command among themselves a capital of just over a lakh of rupees. It is natural

therefore, that the agricultural societies are starved of funds, and it is essential that some suitable arrangements should be devised to place the central banks in possession of additional resources. It appears that after the last Provincial Conference, an apex bank with an authorized share capital of five lakhs was floated, but it is doubtful if this institution will be able to tap any fresh sources of capital from within the province itself—sources which were closed to the existing central and urban banks. If it does not, the labour taken over its establishment will have been wasted. A better course of action would have been to get the central banks to seek affiliation with the Provincial Federation in Bengal and to obtain from it and through it from the Imperial Bank of India credits for the different banks in proportion to their respective financial strength and management.

Propagandist and educational work is carried on by the Registrar and his staff, with the assistance of about half a dozen honorary organizers. There are two supervising unions with a membership of 37 societies, but beyond this there are no systematic arrangements for supervision. The central banks in the Provinces have not assumed as yet any responsibility for the inspection of societies affiliated to them.

#### AJMER-MERWARA

The Province of Ajmer-Merwara passed through another disastrous season in the year 1920-21, and agricultural conditions were, therefore, distinctly unfavourable for any further expansion of the co-operative movement. Despite these conditions, there was some growth in the number of societies, in membership, and in working capital, and definite attempts were made towards the consolidation of the existing societies. Agricultural societies increased in number from 425 to 481. Membership remained practically stationary, while the working capital rose by a lakh and a half to Rs. 20,64,258. Credit societies numbered 460, and the process of splitting up old unwieldy societies continues to add to the number of societies, without increasing the membership. Shares constitute an integral part of the system and the capital obtained by shares was Rs. 3,90,621. Reserve funds aggregated to Rs. 1,82,762. Some eight societies work entirely on their shares and reserves. There were no deposits raised from members throughout the Province, and no effort seems to have been made to teach members to save and to entrust their superfluous or surplus capital to their village banks. In one part of the Province, Merwara, less than a thousand rupees have been raised by outside deposits, but in Ajmer nearly three quarters of a lakh represent deposits from non-members. The rest of the capital is obtained from the central financing agencies. 48 per cent. of the amount payable by members to their societies was recovered, not a bad proportion in view of

the unfavourable nature of the season. The average amount of loan per member is Rs. 170 which is indeed a substantial sum, but which can be advanced with safety where previous inquiries are made and the maximum credit of an individual is fixed as is the case in Ajmer-Merwara. The reduction in the demand for loans consequent on the failure of rains brought down the amount of advances from five lakhs to three lakhs. 73 per cent. of the loans were for productive purposes. Even in a bad year like the last one, societies made efforts to redeem the old debts of their members, and in addition to Rs. 14,502 advanced for repayment of ordinary debts, Rs. 38,208 were devoted to redemption of land from mortgage. In one Tahsil alone 482 bighas of land were redeemed for Rs. 29,092.

There were eleven purchase and sale societies formed on the Punjab model, but these do not seem to be working well, and may have to be closed. Their total sales amounted to Rs. 24,000 nearly on a share capital of Rs. 2,269. There were nine sheep-breeding societies with a membership of 108. With the assistance of liberal financial assistance from central banks, these societies seem to be conducting flourishing business. Two rams have been obtained for improving the breed of sheep and systematic efforts appear to have been made to develop sheep-breeding as a secondary occupation for agriculturists. The only remaining agricultural non-credit society was a Ghee producers' society.

The number of non-agricultural societies increased from 19 to 34. Their membership rose from 4,013 to 5,194, while there was a reduction of ten thousand in the working capital which stood at Rs. 2,45,587 at the close of the year. Twenty were credit societies, including twelve credit societies among the factory workers of Beawar started during the year under report. These are societies with a limited liability and with a share capital payable in monthly instalments. Loans are made up to the limit of three months' salary. The membership of the credit societies was 482 and the working capital Rs. 85,707. Of the remaining societies, one was a store for the employees of the B. B. & C. I. Railway at Ajmer, which has a working capital of Rs. 1,39,226, half of which, it may be noted, was derived from the local central bank. There were three societies for dyers, one for Regars and two for oilmen. There were also seven weavers' societies, which make advances to the members in the shape of raw material such as yarn and dyes.

The number of central banks remained the same as in the previous year, namely four. There was, however, an increase in the working capital from Rs. 16,83,249 to Rs. 19,20,234. Throughout the year, the banks commanded a good flow of deposits and so strong was their position that they were able to invest for short periods Rs. 90,000 with central banks in the Punjab. Of the capital, shares amounted to Rs. 2,38,625

and the reserve funds to Rs. 90,838. As against deposits amounting to 15½ lakhs, they held fluid resources aggregating to 3½ lakhs. The rate of interest on loans to societies was reduced during the year. A lakh of the capital was employed in advances to individuals which were made on the security of deposits held by such individuals in the central banks. Recoveries were satisfactory, amounting to over a third of the outstandings at the commencement of the year. Among the institutions classed as central societies there were a purchase and sale union and an industrial textile store. The former had a membership of 89 societies and commanded a working capital of Rs. 3,851. The turnover of the union during the year amounted to Rs. 61,998. Among the articles supplied to members were tobacco and salt, and among the produce the sale of which was arranged, were cotton, wheat, barley, grain, chillies, and maize. The textile store for weavers' societies had a membership of nine societies and a working capital of Rs. 12,647. It advanced loans to the constituent societies and also arranged for the supply of yarn.

There was one union with a membership of 89 societies, but no further information about its working is available in the report. Central banks do not take any active share in the work of supervision, and inspection as well as propaganda and education are carried on by the Registrar and his staff. Societies are charged for their audit at a fairly high rate, and the cost of audit is wholly defrayed out of the subscriptions thus raised. As the societies have no control over the staff, it is more or less a part of the official machinery, for the upkeep of which, however, heavy payment is exacted from them. It is good that the Registrar has realized the hardship involved in this arrangement and has formulated proposals which would reduce the burden now falling on societies.

#### COORG

The Registrar of Co-operative Societies in Coorg is also Deputy Director of Land Records and Agriculture, Registrar of Companies and Forest Settlement Officer. During the year under report he was, moreover, placed in charge of the Veterinary Department! There are no auditors or inspectors to work under him, but only one full-time clerk. This has necessitated the development of some arrangements for internal supervision, and societies in one taluka raised a supervision fund of their own amounting to Rs. 550 and engaged the services of a paid supervisor. It is evidence of the hold that co-operation has obtained over the population of Coorg that without much outside inspiration and external guidance the movement continues to grow. The year witnessed the registration of a central bank, 24 grain banks, and three non-agricultural credit societies. Agricultural credit societies increased in number from 77 to 83, and their membership from 3,516 to 3,998 during the year. The working capital

increased from Rs. 1,52,299 to Rs. 1,70,848. Rs. 69,601 represented share capital and Rs. 55,084 the reserve funds. Members' deposits amounted to Rs. 15,758, and the only outside liabilities were Rs. 22,406 raised as deposits from non-members and Rs. 7,529 received as deposits from cattle insurance societies. Recoveries were not wholly satisfactory owing partly to an unfavourable market for paddy and partly to the absence of effective supervision. The Registrar complains that loans for clearing old debts cannot be advanced, as in the Province immoveable properties are unsaleable in execution for money decrees.

With 24 fresh registrations, the number of grain banks increased to 40. They had a membership of 1,625 and an aggregate working capital calculated at Rs. 16,132, if converted into cash. Nearly three-fourths of this represented shares, and a fourth reserve funds. About Rs. 14,000 worth of paddy was advanced to members, and out of a sum of five thousand due at the close of the year, arrears amounted to less than three hundred. Paddy is advanced at a rate of 25 per cent., partly for seed but mainly for consumption after the monsoon. Non-agricultural societies increased from 6 to 9, their membership rose from 519 to 1090, and their working capital from Rs. 12,210 to Rs. 25,222, mainly owned by the members themselves. One of the societies is a co-operative store for teachers. Among the credit societies are one for public servants and another for sweepers and other low paid municipal employees. There are two town banks for petty traders. The Registrar has curiously included in this group a society for Indian coffee planters. The object of this society is to promote coffee cultivation by raising funds for loans, by joint purchase of machinery, manure, implements and other agricultural requirements, and by organizing the joint sale of coffee and the recruitment of labour for the estates of members. The number of cattle insurance societies remained the same as in the previous year, namely, ten, but the membership was reduced by 45 to 281, and the value of the stock insured fell from Rs. 3,819 to Rs. 3,379. 43 policies of the value of Rs. 693 were redeemed during the year and no policies which were ripe remained unredeemed. The central bank which was registered during the year has not yet commenced work. It is a bank of the mixed type and will assume responsibility for balancing the funds of primary societies, supplying them with capital, and supervising their management.

#### TRAVANCORE

There has been some delay in reviewing the progress of co-operation in Travancore in the year 1919-20, as the annual report for the year was received only during the last quarter. It is now five years since the movement was introduced in the State, and between 1915-16 and 1919-20 the number of societies has increased from 26 to 177, the

membership has grown from 945 to 4,725, and the working capital from Rs. 74,986 to Rs. 2,59,060. There are eight stores, sixteen societies for the "depressed classes," one central bank, 143 agricultural societies, and 33 non-agricultural societies. During the year under report, the number of societies increased by 76, the membership by 5,200, and the working capital by Rs. 71,164. Of the agricultural societies, 27 were for production and sale, and of the non-agricultural societies eight were stores and three purchase and sale societies. The capital of the agricultural societies increased, during the year, by nearly half a lakh of rupees to Rs. 1,22,744. Of this amount, nearly fifty-five thousand represented shares, four thousand the aggregate reserve funds, and nearly ten thousand deposits from members. The balance was obtained from the central bank. The non-agricultural societies had a working capital of Rs. 62,001, an increase of nearly twenty thousand over the previous year's figures. The bulk of this represented owned capital. Of the loans advanced by the two classes of societies, which amounted to Rs. 1,37,166, it is interesting to observe that nearly sixty thousand rupees were utilized for repayment of old debts. There was an appreciable fall in the recovery of their dues by primary societies and though the abnormal agrarian conditions which prevailed throughout the year might account for some falling off, the Government of Travancore are correct in assuming that the growth of arrears is due mainly to slackness on the part of the office-bearers of societies, the authorities of the central bank, and the inspectors working under the Registrar. The central bank which was started soon after the introduction of the co-operative movement in the State appears to have achieved nothing beyond raising Rs. 16,000 as share capital and interposing between the State and the primary societies a body of shareholders who hold themselves liable for the safety of the investments of the State with primary societies. Owing to the failure of the Bank to raise any deposits, nearly half a lakh of rupees have had to be placed at its disposal by the State to be employed in financing societies. The societies in the State can do well without a bank of this type, for unless it raises deposits, taps local capital, and assumes responsibility for the guidance and supervision of the constituent societies it fails in its very purpose and can be done away with, the State financing primary societies direct on the recommendation of the Registrar. This, however, would be an arrangement thoroughly undesirable both in principle and in practice, and it may be hoped that the individuals who constitute the bank and the societies which hold shares will co-operate in placing the Bank on a firm footing and in developing a sound central agency in the State for finance and supervision.

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## REVIEWS

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**SOCIALISM and CO-OPERATION.** By Leonard S. Woolf. (Parsons. 6/—)

All good co-operators are well aware that socialists were for a long time opposed to co-operation, and that their belated adherence to the movement is due, less to their belief in it as a final remedy for current ills, than to the recognition that its achievements are too great to ignore and may pave the way to the attainment of their own aims. Socialists differ widely as to what socialism is, but they are in agreement in their antagonism to what is called "capitalism". They object to the whole present system of society, with its big industries managed for profit, its competition, and its uneven distribution of wealth; they resent the individual ownership of capital; they would abolish private property. All the resources of the nation should, in their view, be owned by the community. Everyone would look after the community and be looked after by it. Co-operation differs from socialism in that it does not seek to upset the established order for some ideal which may or may not prove suitable to the world of to-day. It is based upon human nature; it recognises human desires, human virtues and human weaknesses, and it appeals to these. Its success is largely to be ascribed to its recognition of the elements of strength and weakness in the ordinary man. If anyone desires to earn large profits on his capital, it leaves him alone; if anyone prefers to remain sunk in poverty and ignorance, it leaves him alone. But just as there are innumerable people possessed of sympathy with their fellow-men, seeking help and willing to give help, and imbued with that spirit of unselfishness without which no human society can prosper, so there are innumerable potential co-operators. Co-operation does not seek to rob from him that hath in order to give to him that hath not; it tells the "hath nots" that property or wealth are not everything, that if there be honesty, diligence, good character, and enough unselfishness to let a neighbour have an even chance with themselves, there is a way to secure a measure of prosperity, if not actual wealth, by the simple means of self-help through mutual help. On paper, the socialist ideal of robbing the present owners of property and capital so as to get something for everybody seems to promise more than the vague capitalisation of honesty and the exploitation of human virtues; but the history of the co-operative movement throughout the world compares well with such communistic experiments as are being tried in Russia. Co-operators have such a long record of success behind them, that they are not likely to be led far astray by the arguments of the professed socialists. In his little book, "Socialism and Co-operation," Mr. Leonard :

Woolf strives hard to bridge over the wide differences between the two creeds. He writes for the Labour Party, he appeals to the "have nots", and he takes full advantage of the fact that most of the wage-earning class in England are already members of co-operative societies. He seeks to recruit the co-operators for the socialist army, he is not out to convert socialists to co-operation. To one who has made a close study of the great movement which has achieved so much for the uplift of the poor, the line of argument adopted will cause more amusement than irritation. Mr. Woolf claims to be both a co-operator and a socialist; how he reconciles the individualism of the one with the communism of the other is not explained. The difficulty is surmounted, or perhaps, it would be more correct to say avoided, by giving a definition of co-operation that would not be recognised by anyone who knows the ideals that inspire the movement. To him it is nothing more than a "particular method or system of conducting industry"; a dead thing apparently that is void of morals, idealism, and religion. Socialism, on the other hand, is "an ideal or theory applicable to the whole of society". The author emphasises the fact that co-operation is an achievement, while socialism is, as yet, only an ideal or theory. To explain this theory, he finds it necessary to separate people into classes; land-owning, capital-owning, wage-earning. He ignores the fact that the wage-earning class also own capital, land, and even factories. He further ignores another fact that the interests of the same wage-earning class are bound up with those of the capitalist class. Periods of great industrial activity are periods of prosperity for the wage-earners; industrial depression means distress for worker and owner. The trades unions suffer when the capitalists suffer; they build up their resources when the capitalist is building up his. Similarly, the co-operative stores of the United Kingdom suffer with the trades unions, and grow in strength as they grow. The three proud achievements of the British working class are trades unionism, co-operation, and the friendly society. Socialism is not one of their achievements; nor if it has nothing better to offer than what Mr. Woolf describes, is it likely to be so included at any early date.

To the orthodox economist, the essential factors of production are land, labour, capital, and enterprise. The great fallacy in the socialist ideal is that it ignores the last of these. Mr. Woolf argues that in a socialist commonwealth, the production of new commodities would be confined to necessities and that luxuries would be abolished. The worker would have to produce fewer articles and so would secure more leisure; the tyranny of the machine and of the profit-seeking capitalist would disappear; simple living would render it needless to manufacture anything beyond what was essential to life. This is getting perilously near to

the socio-economic creed of the founder of the non-co-operation movement. The co-operative ideal, on the other hand, asks for no sacrifice beyond what is entailed by ordinary unselfishness and fair play. It appeals to men's ordinary desires and holds up a method of satisfying these. So, far from seeking a simple life for all, it openly proclaims "better living" amongst its objects. The experienced co-operator realises that skill in management and control has to be paid for, and is prepared to pay for it. He is well aware of the numerous failures attributable to the neglect to secure good efficient direction; he is opposed to the accidental combination of capital and control, whereby the capitalist gets more than his services are worth, but he is willing to pay a fair rate for the hire of capital and a fair salary for experienced control. Above all, co-operation stands for individual self-help, and bases its organisation on voluntary concert; it resents the suggestion of compulsory State control and the submission of the individual will to the communal order. Mr. Leonard Woolf has painted socialism in rosy colours, and pictures a happy time when its ideals are realised. Co-operation needs neither paint nor pictures; it stands or falls upon its achievements, upon accomplished facts, upon the experience of millions over the wide world. As an account of the relations between the two ideals, we fear that the book before us will rank behind some others that are available to the student.

H. CALVERT

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**Rural Reconstruction.** By H. W. Wolff. (Selwyn Blunt.)

Mr. Wolff's latest book is published at an opportune moment. The people of England have come to realise during the War the unique position of their country in its dependence upon foreign countries for a large proportion of its food supplies, and the serious consequences involved in the event of a similar catastrophe occurring in the future. The position of agriculture and the question of food supplies are now recognised to be matters of vital importance to the nation; it cannot continue with safety to remain so largely dependent upon imports. What was said by Mr. Prothero (now Lord Ernle) in the early part of 1918 is likely to be more true in future wars—"the country which commands the last sack of wheat is going to win". There are important social and political sides too to the question. The country is the nursery of the national manhood; the tiller of the soil is the most stable element in the commonwealth. The gradual decline of the rural population and the continuous growth of the towns cannot be for the ultimate welfare of the State.

Few people living in England realise the slough of despond into which English agriculture has sunk during the past fifty years, after having

been for long in the vanguard of the agricultures of civilisation. During the past forty decades,  $3\frac{1}{2}$  million acres, much of it land that was not suitable for pasturage, has passed from arable to grass, and 2,50,000 men have left the calling of agriculture. Here and there, no doubt, high-class farming is seen; but generally there is a lamentable lack of skill and enterprise. What is known as 'lazy' farming is the usual type. The farmer finds that he can get an easier and safer return with a small expenditure of capital by leaving the land in grass than by employing more labour and capital and initiative and putting the land under the plough. In short, as has been well put by Sir Daniel Hall, the farmer's personal profit does not coincide with the national interest—he might have said with national safety.

Mr. Wolff is of opinion that the first essential to rural reconstruction and the revival of English agriculture is a contented rural population—a 'bold peasantry, their country's pride'. The land exists, he says, for the people—and more particularly for the people who produce, with the sweat of their brow, the 'kindly fruits of the earth'. Not only must the agricultural labourer be ensured fair material reward, his well-being in every sense must be looked to. No longer must he be allowed to remain hopeless and prospectless; there must be a road left open to him to advance to better things. The social side of country life must be developed, the old dullness and monotony relieved, and a real community spirit fostered. Class feeling must be done away with, and Hodge must be allowed to sit down with his 'betters'. Every labourer must be given the prospect of some day owning his little parcel of land; there is no work so productive as that which is done for one's own profit. The problem of providing small holdings for the manual toiler has been badly bungled in the past. The wrong people have been put in; no credit facilities have been provided; the 'powers that be' have often looked askance at the idea, and the question of freehold or tenancy has been an everlasting stumbling block. Meanwhile, agriculture and production have been steadily declining.

With the labourers given a fair prospect of betterment, Mr. Wolff thinks that the determining factors in the task of building up country life anew are education and co-operative organisation. They will teach how to produce more and more cheaply, how to put increased production to better use, and how to buy and sell in common. And progress in agriculture, as remarked by Mr. Prothero, 'may be summed up in increasing the yield and lowering the cost of production'. But both the education and the co-operation must be of the right stuff and quality. The working classes which have built up the co-operative movement in England claim that production should be organised in their interest, that the country's farms should become productive departments of consumers' societies, and

be worked under their direction. Mr. Wolff, of course, considers this a mistaken policy, as unlikely to lead to a maximum of production : it would have been interesting to have had his views at greater length on this much-vexed question. After all, it may sometimes be more paying for the cultivator, cultivating for his own profit, to restrict production, and to raise prices for the consumer. There is much to be said for a system of production based on the need of the consumer. Mr. Wolff often repeats himself, and his frequent digressions make it difficult at times to follow his argument. The book might with advantage have been considerably reduced in size, and so brought more within the power of purchase of the average reader.

W. W. P.

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**Land Nationalisation.** By A Emil Davies and Dorothy Evans.

In "Land Nationalisation" by A. Emil Davies and Dorothy Evans, the writers attempt to show in a brief treatise of some one hundred and fifty pages the necessity for the State ownership and State management of the land of the United Kingdom. As the book deals exclusively with the problem as applicable to the United Kingdom only, it is feared that it will not be of much interest to the majority of Indian readers. The writers commence by laying down that increased production from the soil is an immediate economic need. They point out that one of the results of the Great War has been to change the United Kingdom, as regards some countries, from a creditor country to a debtor country, while the gradual industrialisation of certain countries, among which is numbered India, hitherto dependent mainly on the United Kingdom for manufactured goods is rendering payment in manufactured articles for imported foodstuffs increasingly difficult. From these facts, they draw the deduction that as its purchasing power decreases, the United Kingdom must make greater efforts to support its population from its soil. It will be readily admitted that thus far the writers are on unassailable ground, though the day when the United Kingdom becomes a rich man's park to which wealthy persons will retire after making fortunes elsewhere is, it may be hoped, very far distant indeed.

But in the next chapter, when they come to postulate that the only way to secure increased production of food is for the State to take charge of the land and to prescribe what a farmer is to grow and how he is to grow it, the authors seem to be on very debateable ground. In the first place, it may be seriously questioned whether the assumption that the land of the United Kingdom is being wastefully or selfishly cultivated is in accordance with the facts. It has to be remembered that milk, with its products, and meat form a large proportion of the food consumed by

the British people, and to obtain these products pasture land is essential. It is true that during the Great War, the Board of Agriculture was given powers to order the devotion of a certain minimum percentage of a farmer's holding to the growing of cereals, and that this interference with the farmer's discretion did result in an increased production of corn. But at the same time, the reduction in the area of pasturage could not fail to have increased the price of milk with its products, and meat. The step taken by the Government in time of War was undoubtedly correct, as while bread is a necessary article of diet, meat and the products of milk may at such a time be accounted luxurious, though it is doubtful whether they are regarded as such in normal times. Thus any large increase in the area devoted to corn while resulting, it is true, in a decrease in the quantity of imported corn, would involve an increase in the quantity of imported milk and its products.

Stress is laid by the authors on the improbability of increased production being achieved without that greater security of tenure which would obtain under State ownership. But it may be questioned whether the simplicity of tenure and other advantages derivable from State ownership would adequately compensate for the irritating effect on the individual farmers of interference by an army of officials which would be the probable and natural outcome of State management. At the cost of appearing biased, the reviewer would point out that State management is not invariably a striking success. As regards the desirability of breaking up large estates this process is already going on at a rapid pace owing to the heavy taxation and the insults, in most cases entirely undeserved, to which the large landlords have been subjected. The picture of hundreds of thousands of ex-soldiers settling on the land in small holdings is undoubtedly alluring, but two conditions require to be fulfilled before the picture can be completed. There must be a desire to settle on the part of the ex-soldiers, many of whom have been born and bred to town life and are quite inexperienced in farming, and secondly many of the present experienced farmers would have to be bought out. To evict experienced farmers and substitute a large number of inexperienced men would seem to be a doubtful method of increasing production, even though the new settlers were primed with leaflets issued by a benevolent State and their efforts inspected daily by officials of the Board of Agriculture.

Proceeding to the method of State purchase of the land, it is refreshing to note that the authors do not, like some advanced politicians, advocate the assumption by the State of all the land of the country at a given date without compensation to the owners on the ground that private ownership has only been achieved as the result of lottery (from whom or

when is not clear). They have, on the contrary, made an interesting and ingenious attempt to arrive at a satisfactory financial policy for this gigantic undertaking. In view, however, of the rising value of land one cannot agree that for land worth £6 per annum, the owner should be given State paper bringing in £ 5½ only per annum on the ground that the difference is more than made up to him by the superiority of State credit and the advantage of possessing his income in a realisable form, though undoubtedly the saving effected by the State would come in very useful for the redemption of the bonds which the authors would have the State issue to cover the cost of the compensation.

It will be gathered from the foregoing remarks that the reviewer does not hold the same opinion as the authors, but he has read "Land Nationalisation" with pleasure as a well-reasoned attempt to provide a way out of the economic difficulties which confront the statesmen of the United Kingdom at the present moment. He can heartily recommend it to those readers in this country who take an interest in such problems and their solution.

H. F. B.

**Report of the Indian Sugar Committee.** (Superintendent, Government Central Press, Simla, 1922. Rs. 2/8.)

This long-expected Report has at last been made available to the public in India. It is interesting to note that its copies were available in England nearly one month before it was officially "published" in India.

In the beginning of the Report, the Committee have given a detailed description of what they saw in Java. In this description details are given about the constitution of two associations there, conducted by sugar factories themselves. The Committee have evidently studied the working of these two associations, probably because they wanted to formulate their proposal for a Sugar Board on the lines of these associations. But it is noteworthy that whereas the two associations in Java are managed by the cane-growers and manufacturers themselves and have no Government control of any kind, the Sugar Board proposed by the Committee is on the conventional bureaucratic lines.

Nearly half the pages of the Report are occupied by descriptions of cane cultivation in various provinces, whereas the manufacturing portion is barely disposed of in eighty pages, although evidently the Committee admit that the main sugar problem in India is that of manufacture and not so much of cultivation. The Committee condemn practically all—three processes of making sugar in India, namely, the Khandsari process, the gul-refining process, and the small vacuum pan process.

They advocate the introduction of big central factories crushing about 1,000 tons of canes per day. This brings them face to face with the problem of adequate cane supply. The Committee prefer to secure this supply by central factories growing their own cane on lands to be purchased or leased. In this connection, there is a difference of opinion amongst the members of the Committee about the way in which the factory, owners are to secure control over land. Most of the members of the Committee are against compulsory land acquisition, but it is significant to note that Mr. Padshah, of Tata Sons, argues for compulsory land acquisition.

Although the Committee favour central factories having their own cane they are not oblivious of the advantages and possibilities of what may be called co-operative factories, in which cane-growers are part share-holders or at least participate in the profits of the sugar company. They realize that central factories can be run with purchased canes provided the cane-growers are guaranteed a reasonable price for their crop, and in this connection it is interesting to note that they express their approval to the proposed arrangements of the Nira Valley Sugar Co. Ltd. After examining the various methods of payment, the Committee have come to the conclusion that the best system of payment would be to give half of the sugar produced or its money value to the cane-grower as the price of his cane. As a general proposition this is unobjectionable, but the Committee have been rather too dogmatic in fixing this particular percentage as applicable to the whole of India. The actual percentage to be paid must be based on the quantity of the cane and various other local circumstances, and it cannot be thus arbitrarily fixed for the whole of India.

That the recommendations of the Committee about giving cane-growers a reasonable price, and also making them copartners in the profits is sound, can be seen from the experience of some factories in North Bihar. In their Report, the Committee complain that none of the sugar factories in India could work to their full capacity owing to the difficulty of getting adequate supplies of cane. There are two sugar factories in North Bihar which used to make similar complaints till two years ago. Then they thought they would try co-operation with cane-growers and agreed to give the latter a bonus from the profits, and the effect of this move was clearly in evidence within one year. The factories began to get so much that they could not deal with it and now both these factories have increased their machinery so as to double the output and still are confident of getting adequate supplies of cane for this increased capacity! The facts are published in the reports of these factories and afford an interesting illustration of what co-operation can achieve in sugar manufacture.



The Committee's recommendations regarding the formation of the Indian Sugar Board, with its appendages, the Imperial Sugar Institute, the Model Central Sugar Factory, and the Sugar School, as well as their recommendations about the work of sugarcane crushers at Coimbatore and other places are so controversial, not to say extravagant, that it is hoped the Government of India will not take any definite action on these hastily.

G. N. S.

## EDITORIAL NOTES

To a recent issue of "The Outlook," A. E. contributes a beautiful article entitled "Irish Anticipations," in which he attempts to forecast the future evolution of Irish society. He speculates on the inherent, traditional characteristics of the Irish nation and emphasises those aspects of national life which have grown to power during the past quarter of a century and are likely to survive. There are, he proceeds to observe, four great currents of energy and thought in Ireland, all of which have been subjected to interference by the alien ruling power and have, therefore, evoked a deeper response among the people of the country. The first of these forces is political, the objective of which is to secure Irish liberty. A. E. assumes that nationalism has triumphed for the time being and an honorable settlement has been made with the ruling power. The second great movement is intellectual, and its object is to create an Irish culture based on the great Gaelic tradition, but uniting this with modern thought. With the coming to power of a national Government, A. E. anticipates that the knowledge of Gaelic will be fostered, the characterless culture imposed in the existing schools and colleges will be superseded, and in a generation or two of free development, Ireland will have a civilization as distinct in character as that of the Japanese. Large numbers of young men will ransack world literature and science and "bring the aged and the new thought of the world not to submerge the Gaelic culture but to enrich it and to graft on to it those fundamental and universal ideas without which the intellectual life of a nation would be barren and its culture and literature provincial." The third current is economic, and its aim is to build up a new social order in Ireland, democratic and co-operative in character. This is a movement not wrapt in the past but looking towards the future. The seed was planted by Sir Horace Plunkett and his colleagues of the Irish Agricultural Organization Society, and so fruitful was the soil that to-day the ideal Ireland of which most Irishmen dream is a co-operative commonwealth. Nearly a

hundred and fifty thousand Irish agriculturists are united in over a thousand co-operative associations. These were started originally for different purposes such as butter-making, sale of produce, supply of agricultural requirements and the like, but most of them have changed their character, enlarged their aims, and developed into general purposes societies. If this tendency goes on, rural Ireland will in the next generation consist of numerous rural communities, "each covering an area of about four or five miles around the centre of business, all buying together, manufacturing together, and marketing together, using their organization for social and educational as well as for business purposes." The communities will be linked up by national federations intended to perform functions which it is beyond the power of local associations to undertake. With the perfection of this economic machinery on a democratic self-governing basis there is ensured an identity of interest leading on to a solid sense of unity. It is through such communities that the stability of national life can be secured, and, dreading the State as he does, A. E. cherishes the hope that these self-governing, self-contained, economic communities will play such an important role in national life that there will be little left for the central Government to do for the people of the country.

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The fourth main current is that which animates the proletarians in Ireland, who have adopted the methods of organization and social ideas which have become common property among workers in all modern communities. A. E. finds it difficult to foretell the evolution of this movement. Irish labour presents a curious complexity of national and international ideals. And there is bound to be a conflict between these sooner or later, unless labour deletes from its programme of reconstruction items which run counter to the trend of popular feeling in the country. The main question is the nationalization of land, which, according to A. E., is hopeless of attainment in a country with five hundred thousand peasant proprietors, "who would pour boiling lead on anybody who tried to nationalize their land, the land where they had sweated sixty years and to pay for which they went to prison and endured many hardships during the long agrarian agitations." Most of these are workers themselves, employing on their farms no labour except that of their families. The number of wage-earning agricultural labourers is hardly a third of the number of farmers, and A. E. argues that for the doubtful interests of this minority, the majority will not be coerced. But he suggests that labour itself will alter its outlook, and seeing the futility of advocating land nationalization direct its energies to the evolution of an ordered form

of decentralized democracy in the economic sphere. The co-operative movement has not left the working classes unaffected. Almost every town in Ireland has a co-operative store for workmen, a clothing society controlled by the workers has been started with success, and a co-operative building guild has been organized recently. The conversion of trade unions into co-operative productive associations as in Italy has been mooted, and A. E. suggests that the national Government should grant to labour unions all the facilities given to Italian workers to undertake public contracts. The principle of co-operation will by the joint action of agriculturists and industrial workers become the dominant force in the social and economic life of Ireland. Instead of trade unions selling labour to capitalist employers there will be co-operative productive associations of builders, tailors, glass-workers, wood-workers, miners and the like all controlling their own business, offering tenders, and accepting contracts in place of contractors, capitalists, and entrepreneurs. Technical workers, A. E. proposes, should be admitted freely to labour unions and an alliance of the intellectuals and labour brought about. And if all this is attempted, he hopes to witness in the next generation "many co-operative labour and productive associations in Ireland with as much control over their industry as the agriculturists will have over theirs, and both rural and urban workers partners in great productive federations and wholesales, manufacturing and buying for both rural and urban workers and "by the partnership preventing feuds between producers and consumers." Lastly, he pleads for decentralization and the devolution of powers to local councils as these can bring about a more intense cultivation of human life than seems possible where Government is centralized and bureaucratic. The level of efficiency may for some time be slightly lower than under a highly centralized system of Government, but experience will, he believes, soon rectify this, drawing as it will "upon those unfathomable and unplumbed human resources, which have never been tapped in vain where there was human necessity." Another advantage will be that while under great national States, central cities and Governments suck up all that is best with the result that there is intensity of life in a few places and the rest is stagnant and lifeless, a high quality of life is evolved in small communities such as those towards which co-operators aspire.

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The Co-operative Department in this Presidency have announced that the Local Government propose to amend the Co-operative Societies Act II of 1912, and have invited suggestions from individual co-operators and co-operative institutions. It is now ten years since the existing Act came into force, and during this

period the movement has made considerable headway in this Presidency. Following the establishment of the Bombay Central Bank, central banks have been started in most of the important districts of the Presidency, the system of guaranteeing unions has been introduced for the purpose of decentralizing supervision and control, new types of co-operative societies have come into being, and a central organization has been created to undertake the functions of education and propaganda and to voice the opinions of co-operative institutions on matters of policy. Despite these developments, the Registrar continues to hold a dominating position in the movement in virtue of the extensive powers conferred on him under the Act. This tends to overshadow the importance which co-operators should attach to their own institutions and prevents the development of a sense of self-governed discipline and the evolution of a self-contained and self-governing organization, in the absence of which co-operation will fail to hold the public imagination, and therefore cease to grow. It is not intended to suggest, however, that the present legislation governing co-operative societies should be entirely recast. The framework should remain the same, at least for the present, but modifications should be introduced aimed at securing the restriction of the supreme authority now vested in the Registrar and at the delegation of functions to co-operative societies or their elected representatives. Authority may be taken, in general, for the delegation of powers and functions to registered societies, and specifically in respect of matters like the employment of funds in loans to members and to societies or the deposit of temporary surpluses with bankers or the inspection of affairs. Again, the Registrar should not have an unfettered discretion in the matter of registering societies, approving bye-laws, and sanctioning amendments to bye-laws. His decision should be shown to be based on some co-operative principle or recognized practice, and the amended Act should provide for an appeal to be referred to the Local Government within a specified period. The power to delegate to any official agency the authority to frame rules under the Act should be withdrawn, and the Act should provide for delegation of authority to make rules to such registered societies as federations or central institutes. The existing statute empowers the Local Government to exempt registered societies from the provisions of the Act. As the exercise of this authority involves serious consequences, such as the withdrawal of privileges enjoyed under the Act or the removal of restrictions on business prescribed under it, it is desirable that this action should be taken on the recommendation of some recognized co-operative body, and the publication of the orders should be accompanied by a brief exposition of the grounds which justify it. There are various other alterations which have been proposed from time to time,

such as the deletion of clauses conferring certain powers on Collectors, the conversion of the prior claim on a member's goods into a lien, the exemption from income-tax of income from securities, and the enforcement of the awards of liquidators as under the procedure prescribed for collection of arrears of land revenue. Finally, reference may be made to the demand that special types of societies such as consumers' societies need not be compelled under the Act to allocate large proportions of their profits to reserve, and that the maximum amount which societies are permitted to allot for charitable purposes should be raised from ten to twenty-five per cent. of the annual profits. It is to be hoped that before the proposed bill is published finally for submission to the Legislative Council it will be circulated for opinion to provincial organizations like the Institute, and be revised, if necessary, in the light of criticisms received.

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Though a detailed review of the second volume of Dr. Mann's study of "Land and Labour in a Deccan Village" has had to be deferred to the next issue, attention may be drawn to the general conclusions which Dr. Mann deduces from the facts and figures as obtained from his careful and exhaustive inquiries. The second village Dr. Mann has selected for his investigation may be regarded as typical of the conditions prevailing over extensive areas of the Deccan. There is a small proportion of irrigated area in the village, the rainfall is scanty and uncertain, and there is no outside demand for labour. The facts that emerge from the inquiry may be briefly recapitulated. Agricultural returns are extremely variable and precarious to a degree. The life of the people is a gamble in rain, and though from their own standard people do fairly well in good seasons, such seasons occur only about two to four times in ten years. "An average year seems to leave the villages under-fed, more in debt than ever, and apparently less capable than ever of obtaining with the present population and the present methods of cultivation, a real economic independence." This position is aggravated by the recent increase in prices. Contrary to the general belief held in official circles and among a certain school of economists, the researches made by Dr. Mann do not seem to afford any grounds for holding the view that agriculturists have, as a whole, benefitted by the rise in prices such as has occurred during the last few years. More than this, Dr. Mann asserts—basing his statements on the results of his inquiries in the two villages whose economic studies he has published—that so serious are the evil effects of an increase in prices on the general condition of the rural population that the question of the maintenance of low prices by any means is a matter for










Much of the land is below the margin of profitable cultivation, but Dr. Mann is unable definitely to suggest if it would not be economically advantageous to concentrate a smaller population in a smaller area of good land and to allow the stony uplands to remain permanently as a source of inferior grass. The sub-division of land has been carried to such an extent that the bulk of holdings in the village are at present uneconomic even in a good year. And if agriculturists continue in their ancestral calling in such holdings, they must run into debt. Hence it not surprising that debts have increased rapidly in the village, and the recent bad seasons have helped to add to the burden of indebtedness, which can be reduced only if there is a succession of good seasons. Otherwise, agriculturists will have to part with their lands and leave the village. There are certain other facts which emerge from the study, such as the incidence of interest charges on the earnings and the absence of secondary occupations. Weaving is the only important subsidiary industry in the village. The

standard of living is remarkably low and the people are frugal, hard-working, and honest. Less than a century ago the village like other villages was a self-contained and a self-governed unit, supplying all its wants with the possible exception of salt and cloth. But now that it is, in common with other villages, brought under the present system of administration, it has to engage intermediaries to carry on commerce with the outside world, to pay for the expenses of the costly machinery of the central Government, and to lose its sense of independence in the conglomeration of villages towns and cities that go to make up the present State. That this arrangement has not tended towards the social and economic betterment of the peasantry is amply borne out by Dr. Mann's researches. That despite misfortunes the people have not lost either their hard fibre or their skill and enterprise, is also evident from the results of the inquiry. If seasonal conditions have been eggregions, remedies should have been devised to meet the new conditions, whereas Dr. Mann writes that it seems nobody's business to have given any technical or financial assistance to the villagers in such simple matters as the digging of wells or the construction, maintenance, or repairs of irrigation channels and tanks. The introduction of home industries and the promotion of schemes for secondary occupations would have assisted in relieving the pressure on the land, and in these directions too no efforts have been made. Of education or sanitation Dr. Mann has little to say, but judging by the record of other villages of the same type not much could have been achieved. What then has been the gain of the village by its having been brought within the orbit of the modern capitalistic system of society and a centralized system of administration? Dr. Mann pleads for light on this question, and urges that the economic situation is so unsatisfactory that it demands "the early and earnest attention of the best thought and action in the community." Co-operators as a class cannot achieve much except indirectly in the improvement of the existing costly form of bureaucratic Government, but as the adherents of a noble cause and the followers of a new social order it is incumbent on them to examine the fundamental problems of rural economy, such as those presented by Dr. Mann and his colleagues, and after considered thought to devise systematic measures of relief and reconstruction.

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In the January number of the Agricultural Journal of India there is an interesting article by Mr. H. Calvert on the "Co-operative Consolidation of Holdings in the Punjab". The average holding in the Punjab is roughly between six and fifteen acres, sufficient to maintain a family if cultivation is carried on on proper lines. But the fields which make up a holding

Societies for  
Consolidation of  
Holdings

are scattered, and are sub-divided into various small units, and with the operation of the customary laws of inheritance there is a tendency for shares to get smaller and smaller in area, particularly in zones with an assured rainfall and possessing some fertility of soil. Inquiries made in the district of Jullandhar showed that in one tract a man owned as many as 25 fields and that the average field did not exceed one-fourth of an acre in size. The evils of such a practice are well-known, and socio-economists in the Punjab, as in other parts of the country, have tried to put forward constructive proposals, administrative and legislative, which would check this tendency towards minute sub-division and assure to all cultivators the enjoyment of convenient, economic holdings. Mr. Calvert, as head of the Co-operative Department in the Punjab, has been anxious to solve this problem on co-operative lines, and to bring about consolidation not by legislative action, administrative fiat, or coercion by the majority but by securing voluntary agreement through the agency of co-operative societies started for the purpose. An interesting scheme was evolved, bye-laws were drafted, and 20 societies were at work at the close of the year 1919-20. To secure the consent of all owners and occupancy tenants, the character of the societies is deliberately retained as experimental. Every applicant for membership must agree to the general principle of consolidation, as is postulated by the objects of the societies which are "to promote the economic interests of members, particularly by securing a beneficial rearrangement of holdings and to prevent loss by fragmentation". The methods of partition are discussed at a general meeting of members, and if they are approved by two-thirds of all the members an individual must abide by the decision and give up possession of his land for four years, in accordance with the schemes of repartition that have been adopted. On admission to membership he has already bound himself to do this. Such schemes, moreover, though framed by the managing committee have to be sanctioned by the general body. Exchanges of land are carried out in accordance with the plans drawn up, and temporary cultivating possession entered into by members. Disputes by parties who feel aggrieved at decisions are referred to arbitration. During the period of four years, members are at liberty to convert their tenancy into ownership by voluntary exchange. At the end of the period, inquiries will be made about their wishes, and unless all the members unanimously agree to convert the temporary possession into permanent proprietorship or decide to continue the provisional arrangements for a further period, the fields are to be restored to the original owners and the society comes to an end. The advantage of the scheme lies in its voluntary basis and the provisional character of the arrangements. The only coercion is the acceptance of the wishes of a two-thirds majority, and



even then resort to arbitration is open for questioning decisions in specific cases. Free withdrawal from the society is permitted on the expiry of the term of four years. It is interesting to note from Mr. Calvert's article that the power of compulsion by the two-thirds majority has so far never been used in actual practice, and plans are reconsidered and revised until every one is satisfied. Not being endowed with any legal powers, the societies and the officers of the Department even if they were otherwise inclined, have to proceed cautiously and to show consideration towards all susceptibilities.

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Up to the end of September last, 69 societies had been registered, one each for a village. But the whole village is not always put to partition, blocks of lands are often taken at the start as an experiment. In 45 villages, complete or partial repartition has been concluded, and in 39 cases the repartition has been confirmed before the revenue officer by entries in the mutation register. The result is that 1,653 owners, who formerly owned 8,100 acres in 10,906 fields, hold under the new scheme this land consolidated into 2,071 fields. The average size of a field before consolidation was three-quarters of an acre, now it is four acres, and Mr. Calvert is confident that scattered holdings have been exchanged for solid blocks. Another interesting fact that emerges is that in nearly all cases exchange of possession has been, by common consent, made permanent from the start. What looked revolutionary on paper has, after some practical experience of the advantages, been accepted by local opinion as a commonsense expedient. It is not possible, Mr. Calvert rightly observes, to dogmatize as this stage on the economic benefits of co-operative consolidation. But there is no doubt that it does, as it must, lead to economy of canal water, stimulate the construction of wells for compact holdings—uneconomic for small and scattered fields—promote the introduction of improved ploughs, and secure the reduction of expenditure on watch and ward. The only difficulties that have had to be faced are from some owners who naturally dislike exchange, the old and minors, the very poor cultivator and the big landlord, the absentees and mortgagees and occupancy tenants, all in fear lest their existing rights should be encroached upon. What, it may be asked, is the special advantage of giving the project a co-operative constitution? Agreement to join is voluntary and is based on the realization of a common need and of the desirability of securing this end by common action. The organization is democratic, and all members, whether rich or poor, have an equal voice in deliberation. There is an elected executive to carry out plans approved by the whole body, meeting in public. These favourable conditions must enhance

the chances of success of the experiment. The only legal action Mr. Calvert would recommend at the present stage is the granting of legislative protection to an act of consolidation approved by a guardian and by the general meeting. Mortgage deeds relating to specific property may also be made to apply to lands exchanged on consolidation. Occupancy tenants may similarly need some protection. Legislative compulsion in any form Mr. Calvert would reject as wholly undesirable under existing conditions, for before any compulsion is contemplated it would be advisable to await the results of this voluntary movement amongst agriculturists, who by association in credit societies have learnt the value of joint action. This movement will be watched with considerable interest in this Presidency, and co-operators would do well to study and apply its lessons to conditions in the various districts. Acute as the problem is all over the Presidency, its economic evils are nowhere so staggering as in the dry zones of the Deccan, and it has to be examined if the lessons of the Punjab have any application in such parts.

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Another interesting development in the Punjab is the formation of co-operative societies for the equitable settlement of disputes by arbitration. At the end of the year 1919-20 there were six such societies, but many more have come into existence since then. The objects of this type of societies is mainly to save members the trouble, expense, and waste involved in false, frivolous, vexatious and unnecessary litigation by resorting to arbitration. On admission to membership, a person signs an agreement to pay compensation to the society if he fails to refer to the committee for settlement or reference to arbitration any civil or revenue dispute or compoundable offence under the Criminal Procedure Code in which he is involved with a member of the same society or if he obstructs the execution of an award granted under the society's bye-laws. He is liable to expulsion if he persistently thwarts the objects of the society by instituting false cases, by distorting facts in order to have cases tried in a court of law, or by refusing to accept a decision of the committee or an award. Members who are determined to proceed to court may do so either by voluntarily withdrawing from the society or obtaining the committee's permission to institute a suit or by filing a suit without permission and paying the prescribed penalty of Rs. 100. Parties to a dispute must sign a reference of the dispute to arbitration, and by this action are legally bound by it and are debarred from going to court. On reference of a dispute to them, the committee are expected to settle it within a reasonable period, and if no settlement is reached in

a month's time the case is referred to arbitration and the parties appoint a single arbitrator to decide the dispute. If the parties do not agree to a single arbitrator, the dispute is referred to a commission of three arbitrators, one to be nominated by each of the parties, and the third by the committee, out of a panel of 5 to 12 trustworthy persons, elected at the annual general meeting of the society. Persons outside the panel are to be accepted by mutual agreement only, and in case all the members of the panel are challenged one arbitrator is selected by the committee. The arbitrator is empowered to administer oaths, to summon witnesses, to require the production of books and documents, and to pass orders regarding payment of costs.

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**Appeals and Execution** An appeal to the Registrar against awards is permitted under the bye-laws. Provision is also made for the substitution of an arbitration union as the appealing authority in place of the Registrar, and it is contemplated that arbitration societies in a district will combine into a union for hearing and disposing of appeals, leading on in course of time to a Provincial Court of Arbitration. Except on proof of the receipt of corrupt gratification by the arbitrators, the awards cannot be called in question in any civil or revenue court. The bye-laws prohibit the engagement of legal practitioners to represent parties or their appointment as arbitrators, but permit their nomination as commissioners on stated questions of law or for examination of records of Government or local boards. The awards may be enforced by the successful party or through the committee on payment of necessary expenses. For execution and for securing the submission of members to the awards, the main force is to be the pressure of public opinion in the village as focussed in the society and the exercise of moral pressure. One of the bye-laws prescribes a fine to be levied from members for obstruction to the execution of an award. The society also reserves to itself power to raise special subscriptions to defend members' rights and interests, and to bring its whole strength to bear. In case a member fails to secure settlement of his claims or is subjected to frivolous litigation. Fees are payable to arbitrators, and members may be charged for the expenses and be assessed a small fee proportioned to the amount of the awards. The society is authorized to institute conduct and defend suits through the committee, and this procedure is to be adopted in cases where the dispute is not capable of settlement by arbitration. Societies of this type have been started mainly at the head-quarters of banking unions, and the area of operations is generally the same as that of the unions. No compulsion, it is stated, is exercised in getting rural co-operators to enlist as members of the

societies, nor is any ill-feeling shown to those classes who stand out. The chief difficulty was the legal one that a man cannot divest himself by any agreement of his right to seek redress in a civil court, but the bye-laws have been drafted to eliminate this technical drawback. Much will depend on the honesty and intelligence with which arbitrators carry out their duties, and the experience has hitherto been satisfactory. What is finally essential is goodwill and the moral influence of a healthy public opinion in villages. The experiment is fraught with immense potentialities for good and aims at the removal of an evil which the State as well as advanced political circles wish to see eradicated. By conferring on these experimental organizations the privilege of registration under co-operative law, it is intended to secure for them the status of corporate bodies, which have a legal entity and a continuity of existence and which are subject to a democratic form of administration.

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Co-operators in Madras paid a well-deserved tribute to the Bombay Madras Provincial Conference Central Co-operative Institute and the urban co-operative movement in this Presidency in inviting Rao Bahadur S. S. Talmaki to preside over the deliberations of their Provincial Conference. At the conclusion of his interesting presidential address, in the course of which he surveyed the progress of co-operation in Madras and instituted a useful comparison of its special features with corresponding developments in this Presidency, Rao Bahadur Talmaki pleaded eloquently for the need to organize on systematic lines inter-provincial relations among co-operators all over the country. Except for the interchange of periodical publications in the shape of magazines and reports, very little is attempted in the direction of securing exchange of opinion and experience among co-operators in various provinces. Even the Registrars' conferences, at which problems of general policy and administrative practice were discussed and to which some non-official workers were invited, have been discontinued. The drawback in these conferences was that non-officials had no *locus standi* but attended by grace as distinguished visitors; and as officials predominated, the theory that the Registrars were the real experts and the true guides, friends and philosophers of the movement was perpetuated. Proposals have emanated from Calcutta for the holding of an All-India Co-operative Conferences on a vast scale. But the movement cannot afford the luxury of organizing costly annual demonstrations. What most co-operators would want and what Mr. Talmaki had in view is some action, less ambitious in scope, but more suited to our present needs and circumstances. Mr. Talmaki's first suggestion is that if there are districts in different provinces and States which have a common language these should

arrange to hold joint conferences open to leading co-operators from the various districts and States, and conducting their deliberations in the common vernacular. He next suggests that inter-provincial conferences should be organized on the lines of the Registrars' conferences at which should be invited a small number of co-operators, elected wherever possible by central bodies like institutes, organization societies, unions and federations. Thirdly, Mr. Talmaki proposes that small deputations consisting of a couple of co-operative workers from each province should be organized to undertake tours to important centres of co-operative activity in the country. Lastly, it is suggested that central bodies in the different provinces should arrange for the publication and circulation of notes and memoranda on practice and procedure, financial, commercial, and administrative, and on the organization, working, defects and advantages of various types of co-operative institutions. A beginning can be easily made in these directions in the three progressive provinces of Madras, Bombay and Bengal, in each of which there is a representative central body for education and propaganda. Co-operation should indeed be a vital force in the life of the nation, but it can attain the status of a national movement only after the barriers of province and province have been demolished and unity of aim and ideal is secured throughout the country.

The Conference passed a number of resolutions on various aspects of the movement, but in the absence of a full report of the proceedings it is difficult to offer any useful comments. But mention may be made of some of the important resolutions. The Conference condemned the withdrawal of the exemption from stamp duty of cheques issued by individual members of co-operative societies while operating on their current accounts in their respective societies and urged the restoring of the exemption. Co-operators were requested to approach Bar Associations with a view to secure through them the investment in central banks of the advances made by parties in civil cases, generally known as "Civil Court deposits". Government were urged to grant long term loans at specially low rates of interest to housing societies intended for the poor, and at market rates to societies for other classes, and as in previous years there was a resolution suggesting that the investment of temple funds and deposits in co-operative institutions should be permitted. There is no reference in the resolutions to the committee of inquiry appointed at the preceding conference to frame a practicable scheme of co-operative life insurance, but there was a resolution in which the Conference emphasised that in the economic interests of the poorer classes of co-operators in the Presidency it was both necessary and expedient to take early steps.

to organize a co-operative life insurance society even if it was not found possible to obtain any special concessions from the Government. The starting of land mortgage banks and of societies for co-operative colonization and for joint farming was approved as extremely desirable, but no definite proposals or schemes appear to have been discussed. A board consisting of officials and non-officials was appointed to frame a curriculum of studies and a scheme of examinations for inspectors of co-operative societies, supervisors working under unions, and others, and it is to be hoped that this will be the first step in the organization of a systematic course of training for the honorary workers and paid employees of the co-operative movement in Madras. Lastly, reference may be made to a block of interesting resolutions on the reorganization of the Co-operative Department. The Conference affirmed that in view of the need for securing economy, Assistant Registrars' charges should be reconstituted so as to place not less than three or four contiguous revenue districts under one Assistant Registrar who should be made responsible mainly for the inspection of central banks and for the development of non-credit co-operation within his jurisdiction. Farther, it was suggested that selected chief inspectors should be appointed as Sub-Assistant Registrars and invested with all the ordinary powers now exercised by Assistant Registrars in relation to credit societies and unions. Finally, the Conference recommended that one or more trained inspectors should be appointed in each revenue district to work in direct subordination to the Assistant Registrars and to guide and assist in the development of non-credit societies as well as of non-credit activities in credit societies. Even these proposals are open to the criticism that they make departmental officers responsible for work, such as supervision or organization of purchase and sale, which should really be performed by co-operative institutions themselves through paid or honorary workers. The official staff can then be reduced still further.

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It is four years since a special conference of co-operative societies in the city of Bombay was organized under purely non-official auspices for the consideration of the various important problems in which local co-operators are interested. During this period, the number of societies in the city has increased from 57 to over 200. There are 153 credit societies, of which 30 work on a communal basis, 20 are for employees in Government, railway, and other offices, and 80 are for factory workers. The remaining two dozen societies include the groups organized by the Social Service League and the Debt Redemption Committee, and the few societies catering to the needs of residents of particular localities. The number of

**Bombay City  
Conference**

housing societies stands at 18, and of consumers' stores at 22. Producers' societies number two and other non-credit societies number four. These figures are culled from the informing and exhaustive survey of the progress and prospects of the co-operative movement in the city with which Mr. Jehangir B. Petit opened the proceedings of the Conference. Mr. Petit dealt at some length with the defects and requirements of the movement and noted with regret that there was not one urban society of the cosmopolitan type which could be classed as a peoples' bank, providing for the people—petty traders, artisans, shop-keepers and others—modern banking facilities through an institution which they controlled and whose profits were available for distribution among themselves in proportion to their custom. He made the useful suggestion that if for any reasons banks lending purely on personal credit did not find favour, pledge banks should be organized as a substitute. Another very wise suggestion was that distinctive groups such as factory workers' societies, employees' societies, communal societies, housing societies, and stores, should all have their own unions for purpose of securing internal supervision and ensuring unity of aim and uniformity of policy. As an eminent co-operator has pointed out, a co-operative society should always be independent, but never isolated, and the isolation in which most urban societies now find themselves is a weakness of their position which may grow into a positive danger. Quoting from an instructive leaflet issued by the Co-operative League of America, Mr. Petit classified the defects in consumers' societies under these heads—errors in educational work, errors in financial policy, errors in internal management. He pleaded for the formation of a body like the Bengal Home Industries Association for the purpose of organizing producers' societies for craftsmen and artisans. It would obtain for them financial assistance, supply raw material, market finished products, and assist in the improvement of output through the introduction of modern methods and implements, and, lastly, would carry on propagandist and educational work. The organization of societies among unskilled labourers with a view to eliminate contractors and to obtain orders for work direct from private individuals or public bodies provided, according to Mr. Petit, another extensive field for work. And then there was the organization of supply of domestic and other requirements for the agriculturist and of the sale of his produce. In both directions the townsman can help, and if he is disinterested and works with the sole aim of securing national welfare, he will assist in establishing harmonious relations between the consumer and the producer, one of the most insistent needs of the present age. Incidentally, Mr. Petit referred to the role of the newly constituted Labour Office in the co-operative movement. Its functions

cannot be limited to the collection and publication of statistics and memoranda, and Mr. Petit urged an extension of its activities so as to assist in the propagation of the gospel of co-operation. Only with one portion of the presidential remarks it is necessary to record some divergence of views. As Mr. Petit observes, truly observes, the progress this city has made in co-operative work is almost entirely due to non-official effort. These achievements are both sound and substantial, and it is hence a little difficult to see much force in the suggestion that it is desirable that a special officer should be appointed to stimulate progress. Co-operators do want some assistance in financing propaganda, a little help in inquiry and investigation, and an occasional backing or guarantee when special conditions so demand. But where an active propagandist and educational body is at work, the appointment of an officer for organization and supervision is wholly out of place.

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The Conference, like the previous one held in 1918 was not particularly well attended and hardly succeeded in one of its main objects which was to gain new adherents to the cause of co-operation. What is to be regretted more is that the response of local societies was not striking and that there was no manifestation among them of any notable enthusiasm at coming together after an interval of four years. In the absence of any definite suggestions from the bulk of the societies in the city, the agenda had to be confined to matters of general interest and the enunciation of broad principles of policy. No notes were invited, but the previously circulated draft resolutions were referred to sub-committees appointed on the first day of the Conference. The resolutions as recast in the sub-committees were discussed on the second day. The resolutions are divided under five heads—consumers' societies, producers' societies, housing societies, finance, and general. The first group includes among other items a recommendation for the formation of a wholesale agency, which all connected with consumers' societies in the Presidency are extremely anxious to see established at an early date. Another disability under which stores labour is insufficiency of initial working capital, and the Conference urged a reversal of the present policy which practically prohibited consumers' societies from having any dealings with central banks. It was recommended that buying clubs and stores working on an indent basis might be organized as a preliminary step towards the development of consumers' societies, and that credit societies should be allowed to purchase articles for their members, as commission agents. The proposal to start a separate bank for producers' societies was disapproved, in view of the small number of registered societies organized. Efforts are undoubtedly necessary to

**City Conference  
Resolutions**



develop the producers' movement, but in view of the fact that there is already a special officer in the Department whose duties are solely confined to the organization and supervision of consumers' and producers' societies, the request of the Conference for another special officer will hardly carry much weight, particularly in the present conditions of Provincial finance. Among the special facilities which the Conference pleaded for in the interest of housing societies the most important were the grant of permission to acquire plots in developed areas not by sale but on lease, and the extension of State aid to tenants' ownership societies. An appeal was made for a special fund to be raised for the purpose of carrying on an extensive co-operative propaganda among factory workers in Bombay and a committee was constituted to collect subscriptions. The Conference was of opinion that some systematic attempts should be made to organize the supply of pure and cheap milk for the city on co-operative lines, and it urged the grant of facilities by the Municipality and the Development Department for construction of cattle-sheds and cottages for Gowlies, and by the Railways for transport of milk. A small committee was appointed to draw up a scheme for widows' pension funds for the working classes and other persons of limited means. And a larger committee, composed mainly of women, was appointed to carry on co-operative propaganda among the women of Bombay. For the purpose of enlisting the sympathies to the cause of another important section of the public of Bombay, namely, the student population, the Conference appealed to educational institutions to promote the formation of stores and book-shops for students, not so much for the economic benefit they confer as for the very valuable training in citizenship they afford. An appeal was also addressed to the University of Bombay to appoint University Lecturers, either honorary or paid, to deliver post-graduate lectures on co-operative topics.

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The review of the progress of co-operation in the Central Provinces published elsewhere in this issue relates to the year 1919-20. At the commencement of the official year 1920-21, the movement in the Provinces passed through a severe crisis consequent on the Provincial Bank's inability to provide adequate resources for the movement. Demands for loans were exceptionally heavy, and the Bank's resources were so seriously depleted that it was at one time feared that it would not be in a position to meet its liabilities and it had hence to approach Government for financial backing. At the same time it was observed that the system of control exercised through the Provincial Federation had not proved entirely satisfactory, and that the question of audit particularly was

A Committee  
for the Central  
Provinces

in a most doubtful position. The status of the newly organized urban stores in the Provinces had also to be determined. The Local Government have, under the circumstances, done well to appoint a Committee "to inquire into the constitution, finance, audit, supervision, banking methods, and general working of rural co-operative credit societies, central banks, and the Provincial Bank and Federation". The Committee is instructed to report especially on the respective functions of these bodies and their relations to each other, and on the general policy to be followed by Government with regard to the organisation, supervision, finance, and audit of co-operative institutions, the objects of which are not primarily the provision of credit for their members. There are two officials on the Committee, the Chairman and the Registrar. Two members represent the Legislative Council, two the co-operative movement, and the remaining member is connected with the Imperial Bank of India. A comprehensive questionnaire has been framed, and suggestions are freely invited for removal of such of the defects of the movement in the Provinces as have lately been brought to light. In their question on audit the Committee seeks to draw a distinction between the control and the conduct of audit, a distinction that needs to be emphasised in the Central Provinces where audit is technically controlled by the Registrar, but is conducted under the direct orders of the Federation. Opinions are also invited on the vexed questions of State aid and State control of the movement, and its relation to the political and social life of the Province.

The members of the Servants of India Society and the Young Men's Christian Association who are actually engaged in the work of relief in Malabar have published a comprehensive questionnaire on the subject of reconstruction in that unhappy province. Co-operators in the Madras Presidency have, for some time past, had their attention directed to this problem of reconstruction, and the "Madras Bulletin of Co-operation" has published some very interesting and useful articles on the subject. In one of the recent issues, it has also reproduced from the "Millgate Monthly" an article on the work of two thousand co-operative societies in devastated France and the services rendered by these in the task of reconstruction. Each society is given a substantial advance of credit based on the total indemnity due to all its members. All the owners of ruined houses and property pool the advances made to them by the State for purposes of reconstruction and thereby enjoy credit to an extent larger than they would have obtained individually. The co-operative society by combining the orders for material is able to buy in the cheapest market and is in a position to command expert advice on building. No special responsibilities are undertaken by the members beyond their own direct interest in the programme of reconstruction. In Malabar the task is similar, with this difference that the work of reconstruction is not confined to the building of houses and the repair of roads, but extends to the provision of employment for the scattered population, the revival of local industries, and the placing of agriculture on a sound footing. There is a district bank in Malabar and it is suggested that

tunds for ordinary loans for small amounts permissible for rural credit societies should be made available through this bank. For landholders whose demands are larger, it is suggested that a land bank should be started, granting long-term loans repayable in ten instalments at rates which will enable the different co-operative institutions to afford the upkeep of an establishment for inquiry and inspection. Demonstration farms are proposed to be started to work in collaboration with co-operative societies, and to make these effective it is suggested that the Department of Agriculture must select centres where conditions correspond to those existing on ordinary agricultural estates and should publish results of income and expenditure, and, if possible, make the demonstrators depend for their livelihood on the produce of the farms. It is hoped that these and other suggestions received in answer to the questionnaire prepared by the relief workers will be carefully considered, and a comprehensive programme of reconstruction adopted now that Malabar is emerging out of the state of disorder and chaos into which it had sunk.

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### CORRESPONDENCE

To

The Editor, The Bombay Co-operative Quarterly.

Sir,—With reference to the review of my book in the December number of the Quarterly, I beg leave to clear up a curious misapprehension. Your reviewer states that I have omitted to treat of the Land Bank question, which he says is preferred by Sir D. E. Wacha and others, including economists; I think that I am correct in saying that amongst those who have studied the question, there is no longer any controversy at all. Sir D. E. Wacha's proposal has been effectively dealt with in various papers. The economists and publicists who still occasionally whisper "Land Banks" are clearly unaware of the achievements of the two systems. The proposal for a Land Bank in India has been repeatedly shown to be worthless. Sir W. Wedderburn's scheme is mentioned in my book on page 2, where the relative advantages are discussed. There is really little to add to what is there said. Sir F. Nicholson's scheme was well received and even secured the approval of the Secretary of State, when it was shelved in favour of that of Sir Ernest Cable in 1906. This was to be assisted by village officers, and by recovery by the certificate procedure; there was to be a Government guarantee of 4 per cent. on the capital. Terms could not be arranged, and later a further proposal was put forward in 1908 for the Punjab only. Before this was finally dealt with, an inquiry was made into the working of the Egyptian Land Bank, with the result that it was finally rejected, for the report from Egypt disclosed that the Bank, which some economists and publicists desire to see imitated here, had resulted in an enormous increase of indebtedness amongst the peasants, that the loans had been to a large extent unsatisfactorily applied, and that arrears were rapidly increasing. The Egyptian Land Bank has been such a failure that Lord Kitchener decided to introduce co-operative credit on the Indian model. As no sensible man wishes to experiment with failures, it remains true that "In agriculture, co-operative credit is without a serious rival". That it needs to be supplemented by co-operative Land Mortgage Banks is admitted and we are trying one of these in this province.

Yours, etc.

H. CALVERT

2nd February 1922

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## TO

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## VOLUME V

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# THE BOMBAY CO-OPERATIVE QUARTERLY

JUNE 1922

## COMMITTEE OF INQUIRY IN THE CENTRAL PROVINCES

Co-operators in the Central Provinces and Berar, and in other parts of India as well, have been alarmed by the findings and recommendations of a Committee of Inquiry appointed by the Government of the Central Provinces in accordance with a promise made by the Minister in charge to the local Legislative Council. The Committee consisted of a civilian officer as President, and had a member of the Legislative Council as its Secretary. There were five other members, among whom were the Registrar of Co-operative Societies, a local officer of the Imperial Bank of India, and a chairman of one of the oldest central co-operative banks in the Province. The Committee were directed to inquire into the constitution, finance, audit, supervision, banking methods and general working of rural co-operative credit societies, of central co-operative banks, of the Provincial Bank, and of the Central Federation. Recommendations were to be made about "the respective functions of these bodies, and their relations to each other, and the general policy of Government with regard to the organization, supervision, finance, and audit of co-operative institutions, the objects of which were not primarily the provision of credit for their members". The main reason for the appointment of the Committee was the financial crisis which overtook the co-operative organization in the Province at the close of the year 1920. Primary societies in the Province, which number nearly 4,500, do not possess any share capital and hold deposits from members and non-members aggregating to less than two lakhs. Apart from this sum and the nine lakhs contributed by the reserve funds, the rest of the working capital of over a crore is obtained from central banks. These figures show how closely interrelated must be the financial position of the co-operative institutions in the primary and secondary stages and how any factor which disturbs the finances of one class must inevitably upset the financial equilibrium of the other. The central banks themselves are federated into a provincial bank from which they obtain credits and with which they deposit their surpluses. Started originally as a bank with individual share-holders and having men of business experience on its board, the Provincial Bank is now a purely

federal institution with its share capital held only by co-operative institutions, and its management vesting in a board composed solely of representatives of such institutions. For some years it has worked in association with the Provincial Federation. This is a supervising and controlling body, consisting of central banks and societies throughout the Province, and was organized some time after the opening of the Bank. This Federation is responsible for the audit and supervision of the primary societies, the training of guaranteeing unions, and the general policy of the movement. In the earlier stages, it had the Registrar as its ex-officio Governor or executive head, and to secure co-ordination the Registrar was also, for all practical purposes, the Managing Director of the Provincial Bank. This close relation between the two bodies was kept up when the office of the Governor passed into the hands of a non-official, and the Hon. Rao Bahadur N. K. Kelkar, now a Minister in the Central Provinces Government, was the first non-official working head of the two institutions.

The annual report of the Registrar for the year ending 30th June 1920 recorded satisfactory progress of the movement in general and had no special criticism to offer on the work either of the Provincial Bank or of the Federation. It appears, however, that all the time there was a gradual dissipation of the fluid resource, the standard for which had, in the Central Provinces, been prescribed strictly on the lines of the recommendations of the Committee on Co-operation. In October 1919, the Bank held by way of fluid resource 14 lakhs, representing a third of the deposits repayable in the next twelve months. In February 1920, the provision for fluid resource increased to 19 lakhs. Then there was a gradual fall, in March it was reduced to 17 lakhs, in April the figure was 13 lakhs, in May 15 lakhs, in June 8 lakhs, in July 6 lakhs, in August 6 lakhs, in September 3 lakhs, in October 1 lakh. In November the Bank was, it is stated in the report of the Committee, not only unable to finance central banks, but was "in a position of serious danger with respect to its obligations to depositors and other creditors." It had guaranteed cash credits of the aggregate amount of 52 lakhs to central banks, but had to suspend drawings on these, and the central banks could not, it is observed, obtain funds either for fluid resource or for finance of societies. The position was rendered still more difficult owing to the unfavourable nature of the agricultural season. A period of apparent prosperity was followed by one of depression, and hopelessly dependent as primary societies were on central banks for provision of funds, the seriousness of the crisis was greatly aggravated. The central banks as responsible for the management of their own federal bank should have grasped the situation earlier but they do not appear to

have done so. Late in 1920 the Federation convened meetings to consider the position and the appointment of a committee was urged. An appeal was made to Government to grant financial assistance, and on the recommendation and guarantee of the Local Government a cash credit was obtained from the Imperial Bank of India on the security of the promissory notes of primary notes, and this was to serve as a fluid resource for the protection of depositors. In addition, a sum of 10 lakhs was made available for advances to members of primary societies as *takavi* loans.

From a review of these facts there is no doubt that during the year 1920 certain errors of judgment were committed by the Provincial Bank. Cash credits were given on liberal terms to central banks, and these, depending upon the Provincial Bank to finance up to the fullest extent of the cash credits, made advances on a lavish scale to primary societies and promoted the organisation of a large number of new societies. The fluid resource was, however, not dissipated in a day, and the Registrar of Co-operative Societies, who was responsible for scrutiny of the quarterly financial statements and the Local Government to which this return is submitted for orders, are responsible for neglect of their duty in not having issued warnings to the Directors of the Provincial Bank if they felt that the latter were proceeding on wrong lines. And it is not clear whether there was a failure to meet liabilities *only on paper* owing to depletion of fluid resource or whether such failure occurred in fact. In any case the serious consequences could have been averted if the Board had not learnt to place reliance mechanically on a fixed provision of fluid resource, but had entered into negotiations with the commercial banks for financial backing or had built up local credit sufficient to enable them to raise short-term capital to meet emergent liabilities. In fact, the crisis shows the danger of reliance on mechanical safeguards and the wisdom of associating with the Provincial Bank persons of influence and experience in the banking world. In the absence of a strong business Board, it was the moral duty of the Registrar to have assisted the Bank out of its difficulties by making immediate arrangements with the Imperial Bank of India for advances against the pro-notes of primary societies or central banks. The assets were safe, at its core the movement was sound, and a little sympathy and harmony should have prevented the crisis. The other mistakes made were of not much consequence and could easily have been rectified. The proper course then would have been to associate with the Provincial Bank businessmen with banking experience, to negotiate permanent arrangements with commercial banks, to concentrate on consolidation rather than on expansion, to equilibrate finances by raising long terms capital, and to define the relations of the resource movement with the consumers'

movement. While decentralizing the work of the Federation and making it more amenable to the influence of rural co-operators, its activities should have been separated from those of the Provincial Bank, though co-ordination could have been secured by placing the two institutions under a common head, as in Germany. The conduct of audit should either have been transferred to the Registrar or responsibility for control fully assumed by the Federation.

Instead, however, of adopting these simple expedients which would not have interfered with the trend of development in the province, the Committee have proceeded to strike at the root of the two apex organisations, to reverse the directions of development, and to seek for a remedy in mechanical safeguards—similar to those which proved illusory. They propose the concentration of all power and authority in the Registrar to avert the evils which endanger the higher finance of the agricultural credit movement in the Province. The stiffening of control with a view to prevent mistakes is always a wrong remedy, particularly when the control is centralized in one individual who is responsible to the Central Government and not to co-operators. It is beyond the capacity of one individual, howsoever simplified his task may be by investing him with powers and by subjecting the controlled institutions to detailed rules and regulations, to secure the safety of a vast financial movement. Similarly, commercial banks, including the Imperial Bank of India, are not in a position to appreciate the aims and ideals of co-operative banking, which as soon as it leaves the sphere of simple money-lending must sooner or later be brought into conflict with their own interests. They would, sooner than promoting co-operative credit, smother it in its growth as a dreaded competitor, and such a task would be facilitated by the recommendations of the Committee. They wish to subject primary societies and central banks to fresh regulations and restrictions to subserve the convenience of commercial banks, which the Committee are optimistic enough to imagine will in that case grant ample financial accommodation on favourable terms. Commercial banks may grant financial accommodation, but they will do so on their own terms, they will raise rates as and when they please, demand margins or securities at their discretion, and call upon the debtors to repay at short notice according to the strict terms of their agreements. It was for these reasons that the Committee on Co-operation, after careful inquiry, decided to recommend the interposition of an agency such as a provincial apex bank, amenable to the influence of co-operative institutions and responsive to their special needs and aims. The Committee propose the abandonment of this, one of the main recommendations of the Committee on Co-operation, without

adducing any cogent reasons except the negligence shown by the Provincial Bank in misusing the fluid resource. Similarly, they suggest the winding up of the Federation for no stronger reason than that it was associated with the policy of the Provincial Bank. Into the history of the relations subsisting between the two institutions it is difficult for an outsider to pronounce any opinion, but it may be pointed out that when the Federation came into existence, the Registrar was Governor of the Federation as well as the working head or Managing Director of the Provincial Bank. This was justified on the very proper ground that there should be close co-ordination between the agency responsible for finance and the agency responsible for supervision and control. If this held good when the holder of the common office was the Registrar, one fails to see why it should not hold true when the Governor of the Federation is a non-official. Besides, as responsible for the policy of movement, the Federation must interest itself in questions of financial policy—the aspects of policy that most concern co-operators in India.

After these general observations, it would be useful to examine, one by one, the recommendations of the Committee. The first of these relates to the division of the operations of co-operative bodies into two parts, namely, into their short-term or “crop” business and their long-term or other business. To the general principle underlying this recommendation there can be hardly any objection, but its application should be governed by local conditions which vary not only from Province to Province but within a Province itself. For instance, in some parts of the Karnatak loans advanced for weeding expenses have often to be made repayable in three annual instalments. It is doubtful, again, if loans for rich garden crops, like sugarcane or fruit trees, can be repayable within a year's time. On the other hand, loans for purposes like the purchase of bullocks or ceremonial expenses can hardly be treated as long-term loans and the security will be personal and not mortgage. Still, it should be possible to prescribe that the credit available from the commercial market should be used only for investments in short-term loans. The proposed division will, according to the Committee, necessitate the maintenance of a double set of books and a double balance sheet by central banks and primary societies. To get co-operative societies and central banks to maintain, for the mere convenience of official experts and commercial banks, a double set of books will, however, lead to needless increase of work and in the cost of the management. As account-keeping will become cumbrous, it will be beyond the capacity of ordinary agriculturists to check, and will only lead to the growth of a centralised supervising staff. Decentralisation, simplification and economy should be the watchwords of co-operation. The opening of a separate account head

such as long term loans will, however, be useful and should suffice for the main purpose in view. The present forms of annual returns are undoubtedly defective, but what is required is not a form of accounts drawn up on the lines of commercial banks, as is suggested, but returns which though simple truly exhibit the financial position. The Committee then proceed to observe that with such division introduced, it will be possible for commercial banks to finance co-operative societies in respect of their "crop" business. But neither in Madras, nor in Bombay, where the provincial banks enjoy ample cash credits from the Imperial Banks on the security of the pro-notes of societies, is there any such division of accounts as suggested, and its introduction is not, therefore, a condition precedent to the grant of credits. The Imperial Bank of India, if approached through a business board, will not insist on any impossible conditions, such as those suggested by the Committee, namely, the overhauling of the system of finances and of account-keeping and the demand of a continuing guarantee in the form proposed. At the same time, as stated above, a general understanding that the pro-notes of societies given as security will only be in respect of short-term loans is reasonable.

In this connection, reference should be made to the Committee's suggestion that the link between central co-operative banks and the money market should be the local branch of the Imperial Bank of India. The only link which any true co-operator can accept is not an outside capitalist institution, trained in capitalistic methods of finance, but a co-operative bank whose dividends are limited and which is run by a joint board composed of representatives of co-operative bodies and of individuals who are in sympathy with the movement and who wield influence in banking circles and the business world. There is no need to deliver the movement into the hands of a capitalist bank, without ascertaining if the existing apex bank, with some changes in constitution, in methods of working, or in personnel will not suffice for its needs. It is particularly dangerous to entrust the guidance of central banks to agents of local branches of the Imperial Bank who are not expected to have any knowledge either of co-operation or of agricultural conditions on which rural banking so largely depends. If the managers of central banks are not very businesslike, a regular course of training should be introduced and the Provincial Bank should insist on the appointment of trained managers before granting credits. The Provincial Bank itself should be developed into a first-rate banking agency with influential directors and an experienced manager. It is the apex bank, and neither the local agent of the Imperial Bank nor the Registrar that can exercise a real business control over banking methods. The co-operative movement surely does not want unsympathetic bankers who will suspend

or curtail credits or raise rates of interest in the manner approved by the Committee. The recommendation that the crucial factor in the scheme of financing central banks through the Imperial Bank should be the Registrar's recommendation again makes the entire organisation dependent for its growth on the opinion and wishes of a single officer, not in any way responsible to the co-operative organization for his actions. This is a distinctly retrograde step for the Central Provinces and Berar, where the responsibility for the assessment of credit of central banks had been entrusted to the Provincial Bank. In the manner in which the proposal is made it will reduce the position of central banks to one of subservience. The Committee further propose that an "efficiency bar" be introduced for the primary societies which use the money obtained from commercial banks, and suggest that the test of eligibility should be based on the amounts of reserve fund built up. In no country in the world is the amount of owned capital or the reserve fund the sole criterion of the efficiency of a primary society, as is proposed by the Committee. When societies assume unlimited liability they do so to increase their borrowing capacity and if mechanical tests like those suggested were to be enforced, the societies should be free to adopt limited liability as such a course would be safer. By assuming unlimited liability, the members provide a guarantee fund on the basis of which all further issues of capital are raised. Naturally, any sound assessment of credit must be governed by factors such as management, members' deposits, reserve fund, local credit and so forth, but the laying down of a fixed rule as suggested is undesirable. The central bank is responsible for the finance of primary societies and it should be advised to follow certain general principles in selecting pro-notes for rediscount; the Registrar's intervention in the matter seems uncalled for.

"No commercial bank," the Committee observe, "will consider proposals for finance unless Government supervision is continued and strengthened". This is indeed surprising to co-operators in Bombay or Madras, for none of the commercial banks in Bombay or Madras approached by the respective provincial banks for financial accommodation has ever put forth the view that the proposals for finance will not be considered unless Government supervision is continued and strengthened. Nor has any enquiry been made about the qualifications of the officer holding the Registrar's post. In fact, the members of the Committee view the position in a false light. If bankers are satisfied that the institution applying for credit is in a sound financial position and is run by persons who can be trusted with money, they will surely grant credit on their own terms, provided the security is good. It is further recognised that the pro-note of an unlimited liability society furnishes good



security, and hence if bankers are satisfied in regard to all these factors, it is misleading to suggest that commercial banks will ask for the strengthening of official control. By doing so, the Committee are led on to propound doctrines subversive of all principles connoted by the term co-operation. For instance, forgetting that the central banks themselves should engage the services of managers trained in banking and have on their boards some men with banking knowledge and experience, they propose to concentrate power and authority in the Registrar and suggest that the qualifications which an efficient Registrar must possess should be akin to those of the sound banker. If so, why should he not be an agricultural expert, a trader, an industrialist, for has he not to control other types of societies as well? The Registrar need only be a well-trained administrator and a person acquainted with the general theory and practice of co-operation. Administration and banking are two distinct matters, and, besides, if co-operative organisations are to develop as self-governing, self-reliant bodies it is undesirable to have their work controlled by central departments presided over by "experts". Our ideal is to prepare local leaders for responsible duties and not to employ highly paid "experts" exercising functions which truly lie outside the sphere of administrative action.

The question of audit has been complicated in the Central Provinces by the transfer of certain powers to the Federation. The control of super-audit under the law, as it now stands, should be vested in the Registrar, who should, in consultation with a body like the Accountancy Diploma Board of Bombay, grant licenses and insist on the submission of audit notes in a form prescribed by him. The primary audit should be conducted by a body like the existing Federation, through licensed auditors. The suggestion that the literate members of primary credit societies should be entrusted with audit is far from being well-advised in a Province where members of societies can rarely find one among themselves to do their own clerical work and write their own accounts. A definite beginning should be made in entrusting members with responsible work in their own societies, rather than in the direction of entrusting the more difficult work of audit to them. For the audit of central banks the services of certified accountants should be obtained, but the field of selection should not be restricted to chartered accountants, as is suggested by the Committee. In view of the vesting of the control of audit in the Registrar, the audit staff under him may have to be increased, and the proposed basis on which this staff should be engaged, namely, a minimum of eighty societies per auditor, seems reasonable. Co-operative audit is of the nature of education, and should, like elementary education, be free for such classes of the community as would otherwise go without

education. Only the older and larger agricultural primary societies should be called upon to pay for audit on a scale based on the amount of working capital. The fixing of the scale on a *per capita* basis is not very sound in principle. The scale for payment by central banks is rather high, at any rate on the basis of figures in this Presidency.

The Committee then discuss the methods of banking which should prevail in co-operative societies and banks, particularly with reference to the control of staff, the responsibility of honorary workers, the mutual relations between central banks, the forms of accounts and returns, the acceptance of deposits and maintenance of fluid resource, the granting of loans and investment of funds, the custody of cash and securities, the disposal of profits and the employment of reserve and other funds. It is certainly necessary that sound banking methods should prevail, but this result can be achieved not by centralizing control in one individual, but by promoting schemes of co-operative education, holding short courses on elementary banking, training managers, and bringing the directorates of different banks together at periodical round-table conferences for exchange of views and discussion of questions of policy and administration. The Committee observe that most of the central banks are still run by their original promoters and that no fresh workers are forthcoming. They do not, however, examine why it is so. In the first place, there is a tendency to expel the individual shareholder without making any active efforts towards the education of rural co-operators, and of evolving a type of organisation, such as the banking union in the Punjab which the rural co-operator can run without difficulty. There is a suspicion of the motives which inspire the non-official worker, and so little initiative and freedom of action are permitted that the work has no attraction for the young man of ardent aspirations. This position is likely to be rendered still more unsatisfactory if, as suggested by the Committee, the Registrar is invested with discretionary power to control the staff of central banks in the event of the directors failing to exercise proper control. It is not hard to conceive a position under which the flow of workers dwindles still further. The true remedy is to make the work more attractive for the urban helper and to alter the system so as to render easy the task of the rural co-operator. The assumption of powers by the Registrar in independent institutions is certainly undesirable. His duties should be limited to external supervision and the conduct of audit. The Committee also recommend that the Registrar should be empowered to license managers of central banks. It would be preferable to organize a board of co-operative education under the Federation which may issue diplomas and certificates to persons who go through a regular course of training for work in central banks; and all concerned, namely,

the directorates of the banks, the management of the Provincial Bank, the Federation, and the Registrar should see that so as possible certified managers are employed. No separate licensing by the Registrar is necessary, as the sudden restriction of the field of selection to persons who hold licenses may make the task of local directors very difficult. The Committee's next suggestion is still more objectionable. It is proposed that the rules and the bye-laws of central banks should contain a provision to the effect that in the event of no *suitable* persons coming forward for election as office-bearers, the Registrar must have the power to appoint paid or unpaid workers to carry on the business of the banks and to invest them with necessary authority. Entire discretion as to who is a suitable candidate and who is properly qualified for the work should, it is intended, vest in the Registrar and he can annul the election of any director or office-bearer who in his opinion is unfit to hold office. Such interference in the internal administration of central banks is wholly opposed to the spirit of the co-operative movement which aims at evolving strong, independent, self-governing local organizations. It is extremely undesirable that such powers should be vested in an individual officer. No self-respecting persons would care to stand for election if the Registrar is empowered to set aside their elections and to call in question at his discretion the exercise of the authority granted to them by shareholders.

While recommending that the Provincial Bank should be taken into liquidation, the Committee do not wish to permit inter-finance between different central banks, and would make a gift to the Imperial Bank of India of all the surplus funds of the rural co-operative movement which are accumulated in central banks. There are serious objections to inter-finance being permitted among central banks, and it is in view of these objections that the opening of an apex bank is recommended in all Provinces, so that the surplus funds of the co-operative movement should, so far as possible, not go outside but should circulate within the movement itself. Besides, outside banks are under no obligation to accept surpluses all the year round on favourable terms and if there is no other outlet for investments, deposits will often have to be refused and the growth of the movement will thus be checked. The Provincial Bank can lend to other provincial banks or use the business knowledge of its directorate in seeking suitable channels for investment.

The next few recommendations relate to the forms of accounts and balance sheets and the submission of returns to the Registrar. Balance sheets, it is suggested, should be in double form showing the operations for "crop" finance separately. Bankers do distinguish between loans on ordinary securities and loans on mortgage, but it is not the practice in commercial banks to inquire closely into the objects of loans beyond

ascertaining the nature of the business conducted by the borrowing parties. Even if they do, co-operators need not alter their system to suit the convenience of commercial banks. For co-operative purposes, the showing in the balance sheet of separate figures for long-term and short-term loans and long-term and short-term deposits, should be enough. There is no need to introduce balance sheets in double form, as is proposed. The balance sheet need not, moreover, necessarily exhibit the overdue loans or loans extended, but information on this head might be given in the body of the annual report. In commercial banks renewal of loans is a very common practice and yet no balance sheet exhibits the renewals granted or the loans overdue. Loans are only classified according to securities. In this connection, attention might be drawn to an observation of the Committee that extensions should be granted for three months on a "crop" loan and for six months on other loans. This is suggested possibly to suit the convenience of the commercial bank which holds a continuing guarantee extending to three months after the closing of an account. The Committee should, however, have realised that as an agricultural credit society gets its repayments out of the sale of a crop, and the crop has failed, extension, if demanded on reasonable grounds, must be allowed until the next season. The accounts and proceedings of central banks, should it is proposed, be mainly in English. If the aim of the movement is really to establish the control of rural co-operators over various institutions in the primary or secondary stage, it is essential that, at any rate in the central banks which are expected to be run mainly by representatives of rural societies, the accounts should be kept in the vernaculars. In any case, no change to English is necessary to suit the convenience of any outside banks.

Primary societies, the Committee recommend, should not accept deposits repayable on fixed dates or on the demand of depositors, but deposits repayable at the convenience of the societies should be encouraged. In justifying this recommendation, the Committee advance the curious proposition that a primary society is not a bank, forgetting that in Germany, and even in this Presidency, large numbers of agricultural credit societies have established local credit as village banks. Societies in this Presidency have been accustomed to receiving outside deposits repayable generally at harvest time and no special dangers have so far been observed although it has now become necessary to insist on forecasts of incomings and outgoings and to get the societies to make in advance provision for repayment if the position as exhibited in the statements is not satisfactory. It is only the good societies that will obtain outside deposits, and if

advertising is prohibited, only local depositors will be attracted who can be approached personally to extend the periods of their deposits. A sound system of fluid resource for primary societies, such as is in force in Burma already, can be introduced without difficulty. It is doubtful if any deposits will be attracted if a condition is attached that they will not be repaid save at the convenience of the depositor. It is curious to see this suggestion emanating from a Committee extremely solicitous about the interests of another class of creditors, namely, the commercial bank. Again, the Committee would prohibit central banks from accepting current accounts. In Bombay, on the other hand, a regular propaganda has been carried on to persuade central and urban banks to introduce current accounts, and though current accounts should be opened only by banks which have trained managers and fairly business-like directorates there is no objection in principle to current accounts being opened by co-operative institutions provided proper arrangements are made for fluid resource. Their advantage lies in placing at the disposal of banks cheap lying money, and if central banks themselves maintain current accounts in the Provincial Bank and arrange for cover, there should be no harm in this type of business being extended. The cry is an interested one coming from quarters afraid of the competition of co-operative banks. Savings bank accounts are intended only for salary-earners and professional men, and current accounts are the most suitable means of attracting the custom of business firms, traders, and merchants. While approving of the acceptance of savings bank deposits the Committee would impose a notice of withdrawal and rigid limits on balances and weekly drawings. Co-operative banks, however, cannot attract custom if their terms are not at least as favourable as those of the Imperial Bank, and unnecessary restrictions will merely hamper the development of the business. The rate of interest should generally be uniform in all central banks, but need not be subject to the Registrar's sanction; as suggested by the Committee. Competition in the matter of attracting fixed deposits should, so far as possible, be eschewed, rates being maintained generally at a uniform level. If any control is required restricting the field from which deposits may be drawn it should be exercised by the Federation. The Committee suggest that fluid resource against fixed deposits should be maintained at a standard of 33½ per cent. of the deposits maturing in the next twelve months. The fluid resource is to be invested either in short-dated Government securities or in a commercial bank. It is doubtful, however, if any commercial bank will be found willing to allow the deposit of fluid resource in a drawing account on which it will pay the same interest as will be charged on the cash credit granted for crop finance. Hence arises

the need for a Provincial Bank. Guaranteed cash credits are accepted by the Committee on Co-operation as fluid resource, but the Committee would have the entire resource consist of investments in commercial banks and in securities. The Committee prescribe a useful form exhibiting the position in regard to fluid resources. This statement should be submitted to the Provincial Bank and Federation, rather than to the Registrar.

Obviously, in co-operative banking inquiry into the object of a loan is of the utmost importance, but it is doubtful if any special purpose would be served by having "separate water-tight compartments" for two classes of loans. The entering of every loan under a separate column will involve unnecessary trouble and increase the difficulty of account-keeping. Co-operative accounts should be as simple as possible so that even persons who have had only elementary education can handle them. Repayments of loans by members should, as is proposed, be credited wherever possible towards repayment of drawings from the central bank and similarly by the latter to the Provincial Bank. Statements of extensions and arrears should again be submitted periodically to the central bank, which would reserve the right of calling in the loans or of suspending credits if the affairs are found unsatisfactory. The maintenance of renewal ledgers and overdue ledgers and registers, if insisted on as proposed, will complicate accounts, but the form of loan ledger and register should be amended so as to exhibit the position clearly at a glance. As is necessary under the Bombay Co-operative Rules, central banks should be required by rules or under their bye-laws to make provision for all overdue loans considered irrecoverable before calculating the net profits for a year.

The maximum and minimum rates of interest on loans should be fixed in the bye-laws, and no further reference to the Registrar is necessary as suggested. It is undoubtedly necessary that a reasonable margin should subsist between the borrowing and lending rates, but members assembled at a general meeting should be trusted to see to this, provided they are given proper guidance by the higher co-operative bodies such as the Provincial Bank or the Federation. All the channels of investment permitted under the existing Act should remain open to co-operative societies. There should be no further restriction of the field of investment, as is proposed by the Committee when they recommend that investment of surplus funds should be in the form of securities or fixed deposits with banks approved by the Registrar. Experience shows that some simple rules regarding the custody of cash and securities will be useful. These should come from the Federation or the Provincial Bank and from the Registrar only if the two institutions stop working. The rules need not be mandatory and a circular or two will be enough.

If the Provincial Bank continues, securities should be lodged with it for safe custody.

According to the Committee, reserve funds up to a certain percentage of total liabilities to lenders and depositors must be invested outside the co-operative movement, and should be held in redeemable Government Rupee securities or in fixed deposits with banks approved by the Registrar, and the securities should be in the hands of the Registrar. In view of the fact that primary societies in the Central Provinces will not ordinarily be accepting outside deposits, there is no special reason for the outside investment of the reserve fund as suggested. The Committee on Co-operation recommended insistence on outside investment only where outside deposits were accepted. Credit is built up by good management, sound working, and freedom from unsound restrictions on business, and not merely by accumulation, at a loss, of growing proportions of the capital held in deposit with central banks for such investment as the Registrar decides. If central banks again make provision for fluid resource and the provision covers the amount of the reserve fund, it is not clear why additional capital equivalent to the reserve funds should be locked up outside the co-operative movement, in securities and deposits. Further, central banks and primary societies are independent bodies to the capital of which Government do not contribute anything, and it is not understood why the securities should be held in the name of the Registrar.

Finally, to ensure proper observance of the bye-laws, the rules, and the provisions of the Co-operative Societies Act, the Committee urge the insertion in the Co-operative Societies Act of penal clauses similar to those existing in the English Friendly Societies Act, 1896. Penal clauses are against the spirit of the co-operative movement, but there need be no objection to the levying of fines for the withholding of information, for failure to submit returns or for breaches of the Act, rules or bye-laws. Although the process may be summary the right of appeal to some higher co-operative or administrative authority should be provided for.

As stated at the outset, there is no real ground for the proposed liquidation of the Provincial Bank, and although the present Registrar has been objecting to the policy and administration of the Bank since its management passed into non-official hands, no serious faults were found with its working by two of the Registrars who were in charge in 1916-17 and 1920. The main mistake has been the dissipation of the fluid resource. If the audit of the Bank did not reveal this and other defects it was the fault of the auditors who were appointed by the Registrar and not by the Bank. The credit with the Allahabad Bank was stopped but it is not on record if this was done for any errors on the part of the Provincial Bank.

The Provincial Bank has attracted money for the movement and will attract more if in its management are interested persons with banking and commercial experience and it is allowed to conduct its work on sound business-like lines, unfettered by meaningless administrative restrictions. It has performed valuable service in balancing the surpluses and deficits in central banks on terms such as no outside bank will agree to quote. If it has not been able to arrange for the discount of societies' promissory notes it is due to a lack of influential directors and an undue dependence on fluid resource investments for provision of funds in emergencies. Working alone, the central banks cannot achieve any position of strength and security, and they will always be asked to subordinate their interests to those of the Imperial Bank. The Provincial Bank must, therefore, be continued, as no other agency can perform the services now undertaken by it on the terms which it offers. Moreover, it is amenable to co-operative control which an outside bank is not and can never be, however influential the Registrar may be and whatsoever wide powers of control are granted to him.

The Federation is to go because it has also associated itself with the work of the Provincial Bank. It may be that the Federation has exceeded its authority in interesting itself actively in the internal affairs of the Provincial and central banks, but it was certainly one of its main functions to consider questions of policy and practice as affecting these bodies. From its inception, the Governor of the Federation was the Managing Director of the Provincial Bank and the need for co-ordinating the activities of the two bodies was thus recognised by the present Registrar who was responsible for its organization. In Germany, too, it has always been the practice for the head of the local or provincial federation to be the head of the corresponding central bank, and if the Central Provinces Federation carried this policy too far it could easily have been checked. In regard to audit, the function of the Federation will have to be restricted to the provision of primary audit, as control of super-audit will under the law have to be vested in the Registrar. The Committee convict the Federation of hasty organisation of credit societies forgetting that the final authority responsible for registration is the Registrar and that even if the Federation had urged the organisation of new societies the Registrar should have controlled fresh registrations. There has been a beginning made in the Central Provinces in the direction of de-officialising control and transferring it to a representative co-operative body, and it is a distinctly retrograde step to abolish this useful institution and to retransfer the Federation's authority in regard to supervision and administration, control and policy to the Registrar. Howsoever wide in experience the Registrar may be, his control is no substitute for the sense of ordered discipline which a self-governing body can in course of time evolve.



Most of the difficulties of the co-operative movement in the Central Provinces have been brought on by the paucity of non-withdrawable or long-term capital in the primary societies as well as in the central and Provincial banks. But the Committee while emphasising the need for stabilising the finance of the movement forget the importance of providing long-term capital out of which to meet "non-crop" loans. It is only on the basis of adequate long-term capital that a sound system of agricultural banking can be built up. In Germany, there is a system of land mortgage banks; elsewhere, as in France and Italy, long-term capital is supplied by the State. The Committee fail to attach to this aspect of co-operative finance the importance that it deserves, and while urging the strengthening of the control by the Registrar deprecate in general terms the grant of financial aid by the State. The only solution the Committee can think of is the observance of thrift and self-help! And as regards the repayment of old debts they propose societies taking them over from members at rates approximating to the outside local rates, which is obviously no relief at all! Similarly, the Committee have paid scant attention to the very urgent problem of agricultural purchase and sale, and would leave the movement to develop under the Director of Agriculture and his assistants.

The Committee recommend that the awards of arbitrators, like the orders of liquidators, should be executed under the summary procedure, and amounts payable by members under such awards should be recoverable as arrears of land revenue. This is opposed to the recommendations of the Committee on Co-operation and runs counter to the theory underlying co-operative credit that a society, through its managing committee, is responsible for the recoveries due on the advances made at its discretion of the committee. There is little scope for local effort and for learning by mistakes if the recovery of overdues is unduly facilitated by making defaulters amenable to a summary process. The exercise of the powers may also make the movement unpopular among the rural classes. The Committee recommend a revision of the Act, the Rules and the bye-laws. The proposed amendments follow the recommendations made by the Committee; and as these have been examined in detail it is needless to cover the same ground over again. Reference may however, be made to one matter. In section 9 of the proposed Act it is suggested that the Registrar should refuse permission to register a society if its proposed bye-laws are contrary to the *spirit* of the Act. The term "*spirit*" is very vague and as the Registrar has the sole discretion in interpreting the Act this amendment should be deleted and the wording should stand as at present.

As the Committee observe, without an abundant supply of capital there cannot be satisfactory progress, but, to use their own phraseology, for this purpose "the train of rural credit should be coupled to a powerful locomotive." This "locomotive" can be the Provincial Bank, and not the Imperial Bank of India or any other commercial bank through which credit can be obtained only on the recommendation of the Local Government or of the Registrar. The underlying idea of all the main recommendations is to substitute the local Branch of the Imperial Bank of India in place of the co-operative bank as the provincial apex bank and to transfer the control of policy and supervision from the Federation to the Registrar. The proposals, the Committee themselves recognize, form a scheme of working where the various items are dependent on each other. It is as a whole that the scheme should be viewed, and if the recommendations cannot be accepted in their entirety, the proposals do not hold together. A non-official workers in the cause of co-operation will have no hesitation in asserting that no true co-operator can accept the Committee's report and agree to their main recommendations.

## CO-OPERATIVE COMMISSION SHOPS IN THE PUNJAB

It has been well said that success in agriculture depends on increasing the product and lowering the cost of production; and co-operative societies of agriculturists are organised with a view to the attainment of one or the other of these ends. First and foremost in India stands the village credit society, the aim of which is to relieve the cultivator of the heaviest burden on his industry—the credit of the private money-lender—and to substitute for it a village bank in which ultimately the capital is largely or wholly owned by the members themselves. Not only does the credit of the Sahukar increase beyond all reason the cost of production; by gradually reducing its victim to a state of perpetual serfdom it often robs him of all incentive towards increased production. It must be recognised, however, that the village bank alone is only a very partial solution of the problem of the agriculturist; it is only a small beginning in the campaign of moral reconstruction. Cheap credit, and good credit, which teaches a man to save in order to spend, to spend with a view to further gain, to make capital his servant, is an essential condition precedent to all improvement for the small agriculturist; organised on co-operative lines it is in addition a valuable education in self-help and mutual help. But it is only when he begins to apply the lesson so taught to the other problems of his industry that he can become a really successful farmer. By co-operating for the purchase of improved

implements, pure seed, manure, cattle foods, and the necessities of life he can effect savings in his expenses, and increase his production. Societies for co-operative farming, irrigation, consolidation of holdings, cattle insurance and the like all aim at similar results. Co-operative marketing endeavours, in the first instance, to eliminate the excessive profits of middlemen, and so bring more money into the pockets of the cultivators for their produce. It is with the last named, the co-operative marketing of farm products, that this article will attempt to deal by describing the organisation and operation of co-operative commission shops of cultivators in the Lyallpur district.

At the start, a few remarks on the fundamentals of marketing will not be out of place. In the first place, marketing must be recognised as a part of the productive process, which consists of two divisions—the manufacturing or crop-raising on the one hand, and marketing on the other. The marketing part of production is perhaps as important as the manufacturing or crop-raising part. A comparison of farm or factory prices with final retail prices—the difference representing the cost of marketing—would amply demonstrate this. In America, the Federal Government employs experts to study the methods of marketing different farm products, and the office of Markets in the Department of Agriculture receives substantial grants for this purpose. In India one would naturally expect that public interest, particularly at present, would be focussed on this question. Outlay for food constitutes a large proportion of the average family budget, and the prices of food grains are abnormally high. The consumer, however, is patient and long-suffering. He is sceptical of the possibilities of self-help, he is not inclined to co-operate with his fellows, he is always ready to lay the blame for his misfortunes upon 'the Government', and to look to it for a remedy. Moreover, the problem is not an easy one for him to envisage, or to set about solving. Retail margins on food grains are much lower than those on most manufactured goods. The retailer probably relies for his profits mainly on speedy turnover, adulteration, and light weightings, and it is unnecessary for him to take out a wide margin. Small wonder that the consumer feels helpless. Anyhow it is the cultivators who have first taken up the question in real earnest with a view to reducing the costs of marketing, and making the system more efficient.

Markets have developed with the progress of civilisation. Under the self-sufficing system of agriculture, there was no marketing problem. In some places the problem still remains simple, the cultivator disposing of his surplus produce through the village shopkeeper, with whom he usually has a running account. In districts like Lyallpur the development of

specialisation in agriculture whereby the farmers raise crops like wheat, cotton, gram, and oil seeds in excess of local requirements has brought about a more developed and intricate marketing organisation. The surplus produce is collected in *mandies* and transported to large centres of consumption overseas. This collected surplus is made up of the relatively small surpluses of many individual farmers, to deal with which a number of middlemen have arisen, each class of whom discharges a special function; and the various charges levied by them have spread amongst the farmers the idea that the system is defective, and that the costs of marketing could be considerably reduced by the substitution of a co-operative organisation with a system of patronage dividends, that is, a division of the profits—after paying a dividend on stock at the current rate of interest—in accordance with the amount of business or patronage contributed by each member. The belief has been gaining ground that, in the first place, there are too many middlemen of each class—too many brokers, too many commission agents—that the business could be handled at less cost and with equal or greater efficiency by a smaller number; and that, secondly, there are too many successive steps in the process of marketing, too much specialisation of functions—that marketing costs could be sometimes reduced by combining the functions of two or more middlemen into the hands of one. The idea of terminal marketing on co-operative lines has now been mooted by enthusiasts. It is clear that a co-operative organisation would retain for its members some of the middlemen's profits. It would, provided of course that the members are loyal and the management efficient, be able to reduce unit handling costs by concentrating a larger business through one agency. In Minnesota (U. S. A.), where one third of the grain marketed is handled co-operatively, it is estimated that about Rs. 30 lacs per annum is saved in this way to the farmers of the State. As will be explained later on, in Lyallpur the greatest loss to the farmer and the greatest drawback to all improvement in marketing methods is the pernicious credit system in vogue, under which he is bound to market his produce through his creditor. Till this system is rooted out, and the farmer is free to take full advantage of market conditions, little improvement can be hoped for. It is claimed that a way can be found out by the linking up of the village credit societies with the co-operative commission shop.

Before describing what has been attempted by these shops in Lyallpur, and giving some details of their working, it will be necessary to consider some aspects of the present system of marketing, which the farmers are anxious to improve out of existence. The Lyallpur *mandi* is typical of the system generally followed in the markets of the Punjab Canal Colonies. This *mandi* contains over 100 shops of *ahrties* or commis-

sion agents, practically all of whom are non-agriculturists, and it is through their shops that most of the produce is sold to the wholesale dealers, who have their offices and godowns in Lyallpur. It seems safe to say that at least 90 per cent. of the farm products of the district which are brought to the *mandi* are sold, in the first instance, to village money-lenders or shopkeepers, who are usually financed by the *ahrties*, and in turn make advances to the farmers. The latter have thus no freedom of choice in the disposal of their produce they must sell it to or through their creditor. Even if they are free from debt they are often tempted, by the offer of apparently favourable rates and liberal advances, to sell in the village. The purchaser thus gains a certain customer for the next harvest. The *ahrties* follow the same practice when a new customer comes to their shop. The farmers themselves are mostly well-to-do, often too comfortable or too lazy to trouble about realising full market prices. They easily fall victims to the wiles of the money-lender, and find themselves tied to one particular buyer or commission agent when their produce is ready for the market. The rates offered in the village are of course usually lower than those ruling in the *mandi*, and sometimes the differences are marked, especially in the case of cotton and sugarcane.

At the *mandi* the miscellaneous expenses of marketing, including the commission of the *ahrti*, amount to about Rs. 1/10/- per cent. Various menials are employed, for whose services the *ahrtis* make the seller pay—for the *paledar*, who empties and fills the bags, for the *tola* who does the weighing, for the *changar* who separates the dust from the grain, and is a sort of general servant of the shop. 11 annas per cent. is charged for these services, and sometimes a handful or two of grain is taken in addition. The broker gets  $1\frac{1}{2}$  annas per cent. and the fund for charity and the maintenance of the *gaushala* takes a similar percentage. The *ahrtis'* own commission is usually 12 annas per cent. There remain the cook, the water-carrier, and the sweeper, who are paid in kind out of the grain heap—that is, by the seller.

The above remarks apply to the marketing of such crops as wheat, gram, oil-seeds, gur, and maize. The marketing of cotton presents a somewhat different problem, which will probably never be satisfactorily solved for the cultivator till ginning factories on co-operative lines are started at the principal markets. The question of such factories is now being agitated by some farmers in Lyallpur. There are various difficulties of a serious nature, and it has not yet passed beyond the stage of discussion.

The first co-operative commission shop of Lyallpur was organised at the head-quarters of the district in 1919, with a membership of 43, ten of

these being societies and the rest individuals. Share capital, fully paid up, amounted to Rs. 14,050. A shop in the *mandi* was taken on rent, and sites for the permanent shop and godowns were purchased at a cost of Rs. 18,000. The godown, a large building, is nearly completed, and work will soon be started on the shop. The share capital is now (December 1921) Rs. 26,000, and there are 88 members, 14 of them societies. Since the start, Rs. 4 lacs worth of produce has been marketed through the shop, and a net profit of Rs. 1,546 has been earned, after paying all expenses, which amount to about Rs. 150 per month. The by-laws permit, after the placing of one fourth of the profits to reserve, the granting of a bonus of not more than 3 months' pay to employees and of a dividend not exceeding 8 per cent. on share capital. Out of the balance, a rebate may be distributed to members in proportion to their transactions, provided that they sell through the shop a minimum amount of produce to be fixed once a year in general meeting. So far the idea has been to build up capital, and no dividend, bonus, or rebate has been given. The by-laws authorise the payment of an advance not exceeding 75 per cent. of the estimated market value of the produce to every member delivering his produce for sale at the shop. If, as is hoped, business is done on a large scale, and produce is stored for any period, it may be that large funds will be required.

The staff consists of a manager and an assistant manager, who work under the supervision of the chief director and the managing committee, the latter being of course elected in the general meeting. Committee meetings are usually held once a month. The shop charges 8 annas per cent. commission on all produce sold, as compared with the usual *mandi* charge of 12 annas. As regards the other miscellaneous expenses already referred to, (for weighing, cleaning etc.,) the co-operative shop charges Rs. 3-9 per cent. less than the other shops, and is yet able to show a fair 'profit' in spite of poor business, and a temporary boycott.

As might have been expected, the opening of such a shop has been received with mixed feelings by the rest of the *mandi*; and last March the buyers, who are, like the commission agents, mostly non-agriculturists, were said to be refraining from making purchases there. For a time the situation was critical, but it improved when some of the bigger purchasing firms were addressed and requested to warn their buyers not to exercise any unfair discrimination. Since then there has been no further trouble of this nature. At another place (Toba Tek Singh) there was some difficulty about getting a shop in the *mandi* at a fair rent. Rents are usually Rs. 40 to Rs. 50 per month, but Rs. 300 per month was being demanded. Friendly relations have now been restored.

Perhaps the "greatest obstacles to the success of these shops are the fact that the farmer is compelled to market his produce to or through his creditor—the village money-lender or the *ahrti*, and the practice of the latter to make large advances, often far exceeding the value of the produce brought in, to the cultivator. As has been already remarked, the by-laws of the shop only permit advances to members up to 75 per cent. of the value of the produce brought for sale; advances to non-members are strictly prohibited.

The temptation to patronise a shop which advances loans on a generous scale is often too strong even for the seller who is a free agent; but the managing committees have taken a firm stand on this point. The by-law, they consider, is thoroughly sound, and the *mandi* practice of large loans is bad for the shop and bad for the farmer, likely to bring the shop to bankruptcy, and altogether opposed to the principles of co-operative credit. Strict observance of this by-law is therefore being enforced in spite of the fact that it often leads to loss of business. Constant propaganda, teaching, and the example and precept of the more sensible farmers are relied upon to bring the others gradually round; and the needs of would-be sellers, who are tied to money-lenders or who require advances for legitimate purposes, are being met to some extent from their local credit societies. The managing committees of the latter, if satisfied that a member is thoroughly reliable and intends to market all his produce through the co-operative commission shop, may liquidate his debt or give him a special advance. He will thus be free to market his produce as he pleases. In some of the best societies this policy has been found to work excellently and practically all the members' produce goes to the co-operative shop. It will be tried on a more extensive scale this Rabi.

It is hoped that these shops, as their business expands, will also undertake the work of supplying some of the agricultural and domestic requirements of their members. When the farmers bring their produce to market, they usually want to buy commodities like salt, cloth, oil-cake, cotton-seed, etc. The co-operative shops can easily do this work as a side line, as the farmers' elevator companies do in America. One of them has already applied to the Agricultural Department for an agency for the sale of seed. Strange to say, in the canal colonies so far all these agencies are held by non-agriculturists.

When one considers the vast field ahead, one realises that these shops (there are now four of them working) have only made a very small beginning. Only the fringe of the problem of agricultural credit has been touched. The farmer will never be free in the vital matter of marketing

his produce, till he learns to save, and till his village society is able to satisfy completely his credit needs. This is far from being the case at present. The farmers are themselves much to blame. Many of them are extravagant, and look down upon societies whose object must rather be to inculcate thrift and careful spending, rather than to provide cheap money for wasteful and unnecessary purposes. More and more capital is required both in the central bank and the primary societies, and the farmers themselves must provide it by steady accumulations of savings.

As regards marketing costs, there seems to be good reason for thinking that the commission agents make too heavy a charge for the services they render. At any rate some of the co-operative shops, working at a much lower rate of commission, are able to show a fair 'profit', after clearing all expenses. It may be that the number of commission agents is too large, and that a smaller number with a large volume of business could do the work as efficiently at a lower cost. As to the various menials employed in the process of marketing, the farmers have found that they can obtain the services of some of them at lower rates than those charged by the *akrtis*, which suggests that the latter deliberately overcharge the seller and pocket the balance. Again, the co-operative shop finds no necessity to maintain a cook at the expense of its members and the perquisites of the water-carrier and sweeper are kept under strict control. The savings on these items amount to a considerable sum when a large business is done; but the shops aspire to do more than this. Working in close touch with the village society, they are striving to break down an evil system of credit, on which the *akrtis* and village buyers are mainly dependent for their business, and which has made Lyallpur, 'the most prosperous district in the province, the most indebted as well. From the endeavour to attain this end by the method of co-operation important social and business benefits too are likely to result. Individualistic tendencies will be broken down, and the farmer coming in contact with one another at meetings will find it easier to meet in social intercourse. They will learn business methods, and gain a higher sense of business responsibility. They will be better men for the effort.

W. W. POWELL

## THE CONDITION AND PROSPECTS OF DECCAN VILLAGES

In 1917, the University of Bombay opened its Economic Series of publications with a volume entitled "Land and Labour in a Deccan Village", by Dr. Harold Mann, then Principal of the Agricultural College, Poona, aided by a group of his assistants and senior students. Here was



a document of unusual character ; one in fact initiating, for India at least, that method of social surveys of Place, Work and People, and of these in their interactions and inter-relations, which has been long in progress among social enquirers in France, but slow in making its way in other countries—more satisfied, as these tend to be, with their traditional statistical and bureaucratic methods, essentially inherited and adapted from an earlier France. Thus, though Frederic Le Play began some three generations ago his monumental enquiry into the conditions of labour and labouring life in Europe (*“Les Quvriers Europeens”*—happily to be found in the Bombay University Library), and though this great initiative has long been followed up in France first by one society and its periodical, and then by a second, it was not until the publication of Charles Booth's monumental Survey of London, in its many volumes, that English-reading social and economic students began to awake to the necessity of testing their abstract and deductive studies by such careful and comprehensive observation. Too many still fail to realise that social science must as much be based on and tested by inductive methods as are the natural sciences themselves. But after many years of advocacy and endeavour, as by the surveys of the Outlook Tower of Edinburgh, and by the Sociological Society, it is satisfactory to note that the publications of the London School of Economics, and still more of the Oxford School of Geography, have been increasingly entering upon such surveys ; while since the publication of this first initiative volume for India, we have had Professor Mukerjee's attempts in the same direction and doubtless those of others.

Few, however, in any country have yet reached, still less surpassed, this first thorough-going survey of an Indian village—Pimpla Soudagar, (which lies some five miles towards the West of Kirkee, and eight from Poona). For here the geological, climatic, agricultural and economic conditions are surveyed and interpreted with all the thoroughness worthy of a great Agricultural College ; and the social conditions also investigated, family by family, as well as in aggregate and with a thoroughness almost corresponding to that of Le Play and his disciples, and unsurpassed by Booth. Here then we have a clear and comprehensive presentment of a Deccan village in its contemporary condition of change from the old self-contained unity ; and a corresponding estimate of the results attained so far, and of their tendencies as well.

Despite due recognition of the advantages of public peace, order and justice of assessment, regular and not immoderate, of introduction of new crops of better return etc., the resultant picture is far from justifying the optimism so commonly based on these. For, with increase of population has come excessive sub-division, even fragmentation, of the land ; and thus, too largely, proportionate deterioration of cultivation.

The absence of new wells, of new planted fruit trees, and the gradual decrease of the area double-cropped, during the present generation, are serious evidences of a reduction in the enterprise of the people, despite the favourable factors above-noted. The load of debts, amounting nearly to 12 per cent. of the capital value of the village, and with annual charges amounting to nearly 25 per cent. of the total profits from land, also lead to the melancholy conclusion that "it has become evident to the people that the village can no longer support itself on agriculture; and thus in a continually increasing measure the people have gone outside for work to supplement the earnings from land..... Only eight out of 103 householders are self-supporting at the village standard, from land alone..... Outside labour has become a much more important source of village income". ..... "The proximity of Poona, Kirkee and Lonavla has caused the retention of people who would otherwise have left,..... We have the beginning of the landless proletariat..... Though work is here obtained locally....., more than half the families are insolvent, and must either have less food and clothing, or increase their debt."

The social cause of fragmentation of land, and the vital cause of the stagnation of agriculture, are clearly, though too briefly, discussed, with subsidiary causes also connected with these. Remedies are hinted at, but the volume concludes with convincing insistence on the need of much more extended enquiry.

So far this 1917 volume, necessarily recalled above in introduction to the present one\*, which repeats the same type of survey for another village, that of Jategaon Budruk. This has been selected as typical for two good reasons. First, because of its situation in a area where the uncertainty of rain is great, and famine frequent, yet with soil similar to that of the less favourable western area. Secondly, because, at a distance of 25 miles N. E. of Poona, it is isolated from access to external labour without migration to towns.

Again for this village, the physical and climatic conditions are thoroughly explained, and soils and water-supply, wells and drainage duly studied. The history of the land-holding and land-revenues of the village is clearly outlined from all available records, and dates partly from two centuries back. And again there emerge results like those of the former enquiry; that the impoverished condition of the village is not due to any excessive assessment, but above all to the lamentable degree to which the fragmentation of property has now reached. It is so far

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\* Land and Labour in a Deccan Village". By Harold Mann, D. Sc. and N. V. Kanitkar, B. Sc., Oxford University Press, 1921.

encouraging to note that this evil is becoming recognised by the people themselves, and not without some efforts towards its correction ; though in the present state of Hindu law, this is not easily possible. Yet has not Baroda overcome this difficulty ?

Careful chapters follow describing the vegetation in thorough detail, with the implements and their use, the rotation and mixture of crops, and the account of each crop separately. We are thus brought to see "to what an extent the cultivation is a gamble in rain.....The most astounding feature is that the people have not more completely lost their energy than is the case. Unlike Pimpri, they are still digging wells, planting fruit-trees etc.....But such progress is again hindered by the land conditions, which tend continually to prevent, to an almost unrealisable extent, the progress in agriculture which would otherwise certainly take place even here."

The economic survey of the agricultural stock next follows, and brings out the poor conditions of things, even in working value and still more in milk-return ; yet with a balance-sheet less extremely depressing than are the views which we have heard expressed by other agricultural critics in India. The tragic result of the recent famine, (1918-19), with loss, in round numbers, of 60 per cent. of the bullocks, 80 per cent. of the cows, and three-fourths of the buffaloes, shows also "how slow must be the recovery from a year of serious drought and famine."

"The whole of these enquiries culminate in a study of the economic condition of the people of the village", and there is ample evidence that this enquiry has been a thorough one, and based on prolonged residence in the village, with friendly and close knowledge of its cultivators and of its few artisans, and of the condition of their homes and families. The figures are taken in 1917 before the famine. The average income of the 147 families is Rs. 167.13, equal to Rs. 33.12 per head ; and of this just under 65 per cent. is derived from the land. The total indebtedness in 1917 was over Rs. 29,000, at interest varying from 12 to 75 per cent., but averaging 20 per cent. More than half of this indebtedness is on the security of land, and the balance mostly on personal security, with Rs. 2,150 on houses. But the provision of the very modest family budget, for food and clothing, and with under Rs. 7 per family per annum for other expenses, exceeds, by Rs. 11 or 12 per family, the average income. Hence, even apart from the terribly crushing burden of the interest on debts (27 per cent. of the total income), "the village is not able to pay its way, even when the season is the average of the last ten years, and when a certain amount of outside profit is available."

Leaving now the average of the village as a whole, and classifying its families separately, there are only ten in which the income derived

from land is sufficient, in an average year, to maintain them in a sound economic position. Of families which can do this with the help of income derived from outside labour, there are only 12. Thus 125 families with land and outside labour together, are living below standard, or are deriving income from outside, or are increasing their debts. Their balance-sheet shows "a deficiency of Rs. 137 per family; or, in other words, the actual earnings, in an average season, are little more than half of what is required to enable the people to live at their own standard of life, and also to pay interest on debts.....If debt disappeared, still 80 per cent. would be insolvent, in an average year. The whole maintenance of the position depends on the hope of good seasons, which have come about twice in the last ten years. Then interest can be paid, perhaps debts redeemed, and the position improved."

Again the authors in the gravest passage in the whole two volumes state :—"This economic enquiry into the condition of a village which represents many hundreds in the precarious tract of the central Bombay Deccan, and which is of a purely rural character, is disheartening. It is difficult indeed to see where the future of such a village lies. If it had a series of good years, it would flourish; and though it could hardly pay its way and pay off debt, it would gradually, we think, recover a sound economic position; though the people would for a good many years have to live below their own standard, or be subsidised by their representatives living in the industrial centres. But what are the chances of a good year? Only two of the last ten can be considered as such." What a disastrous year means for the village is indicated from 1918-19, already mentioned for stock losses above, and with increase of the above-mentioned debts by over 44 per cent., not to speak of minor troubles.

The value of the village is next discussed; this without mention of the too frequent disrepair, and even dilapidation, which strikes the visitor's eye in this village as in kindred ones, and which so tragically confirms the depressed state of things within the home, and in the fields around.

The effect of a rise in prices on the rural prosperity of India has been much debated, and is moreover a factor in determining changes in land assessment. So here indeed is "a tackling of the question at close quarters;" for in the case of both the villages surveyed in these two volumes, and of nearly every family in them "we have considered what would be the effect (1) of a general 50 per cent. rise of prices without rise in wages, and (2) of a general 50 per cent. rise in prices with 50 per cent. increase in wages at the same time..... (1) The former may enrich a few, but it is disastrous for the village as a whole..... (2) The general effect is to lower their economic position .....leaving special cases on one side, one may consider that, in general, the evil effects of the rise in

prices on the general condition of the rural population can, in the Deccan at any rate, hardly be gainsaid. And if this is clear, the question of the maintenance of low prices by any means may be a matter for much more serious concern than has hitherto been recognised."

Here then we see are many matters which the writers justly claim as of absorbing interest to any student of Indian life. We leave their final chapter of "General Conclusions" to the reader, since calling for careful consideration without abridgement. Enough here only to quote their concluding words:—"Our suspicion formerly stated, that the dry villages in the Deccan are in a very unsatisfactory economic condition is confirmed and emphasised by the result of the present study. And, hence, it is a situation which demands the early and earnest attention of the best thought and action in the community." In supporting this call for attention, it is satisfactory to note that Dr. Mann is so well supported in his enquiries, and that one of his former assistants, Mr. N. V. Kanitkar, is now fully a collaborator, and this with no less thoroughness of intimacy with the village and its problems, as the writer can testify from a recent visit with his students. This experience was so striking, and so educative that it is proposed to arrange a Vacation Gathering in or near Poona before next winter term, so that other young sociologists and economists may be awakened to the pressing urgency and interest of these village surveys.

And after what has been rather a summary than an ordinary review, the writer may be free to hope that Dr. Mann's experience may be increasingly applied to the great questions he has in these volumes been raising. We can well imagine that his conclusions are not always congenial to the more prevalent optimism as to agricultural conditions; but his enquiries have been so much more intimate and thorough than those on which more encouraging views have been based that they constitute a challenge which cannot be ignored. By all means let other economists and agriculturists apply themselves to independent surveys; and let us have their conclusions too. From Dr. Mann also some further, and fuller, statement as to the practical policy desirable to improve village prosperity, will be anxiously awaited; and we trust this will not be long delayed. For with every respect for his administrative and his technical labours in detail, have we not in him—of all men in Bombay Presidency, perhaps indeed in all India—the nearest type, in character and devotion, in training and experience, and, above all, initiative and courage, to Sir Horace Plunkett in Ireland? If so, would it not be a wise policy which would at once set him free and give him the resources for the corresponding tasks of establishing agricultural co-operation in the Deccan and extending its beginnings throughout the Presidency?

PATRICK GEDDES

## CONSTITUTION OF CO-OPERATIVE CONFERENCES

No co-operative conference in the Bombay Presidency other than the provincial has any definite constitution. Relations between different conferences—taluka, district, divisional and provincial have not been settled. The time and place for holding them have been a matter dependent on local circumstances and the will of a few promoters. In spite of some exchange of thought and deliberation that are bound to result when some workers in a cause meet, co-operative conferences were formerly, gatherings intended mainly for propagandist and educative purposes. Though attempts were made to discuss and solve questions relating to the co-operative movement, in provincial conferences real deliberation was not possible until sub-committees began to be appointed, for coolly and fully threshing out questions before they were placed before the open conference. The selection, however, of the personnel of these sub-committees rested with the Registrar. With the expansion of the movement and the increase in the number of active workers, the selection became more and more difficult, and it was impossible for an individual—the Registrar—however careful he tried to be, to avoid mistakes. In order that such mistakes might be avoided, and that those who took part in the management of co-operative institutions might by means of joint deliberation tackle the difficult questions which presented themselves, the introduction of the principle of election pressed itself to the notice of thoughtful co-operators. The first provincial co-operative conference on an elective basis was convened by the Registrar in 1920. But the provincial conference of 1921 was the only conference which was convened by a central co-operative institution, the Institute, in accordance with a constitution adopted at the previous session of the conference. It must be admitted that some progress has since then been achieved in two or three directions, but at the same time one cannot but remark that the co-operative movement does not reap the full benefit of conferences as they are held at present.

There cannot be two opinions about the desirability of the principle of election, and yet the principle does not seem to have been of any real use, nor does it promise to be of such use in the near future. Most of the members of agricultural and non-agricultural primary societies do not know English. Most of the elected representatives of societies, whose first-hand information and ripe judgment would be very valuable, are compelled to observe silence at the provincial conference. Not only have they to observe silence, but they cannot even grasp the meaning of words that happen to fall on their ears. These representatives, therefore,

can neither help the deliberations of the conference, nor can they, on their return home, enlighten their electors—co-operative societies—regarding the work accomplished at the conference. For most of the representatives of primary societies, the provincial conference is merely a *tamashā*. If delegates were to be of any real use, either the business of the conference should be carried on in a language understood by them, or if English were to continue to be the language of the conference, the delegates should be such as know English. But as there are at least four chief languages—Marathi, Gujarati, Kanarese, and Sindhi—in the Presidency, and none of these is understood all over the Presidency, the first alternative is impracticable. To find English-knowing representatives for all primary societies is equally impossible. There can, however, be no doubt that so long as true representatives of co-operative societies are not in a position to discuss and solve co-operative problems, the movement cannot be really independent and strong. For this reason, separate divisional conferences should be held for each of the linguistic divisions of the Presidency. The principle of election should be introduced, and sub-committees appointed. Such conferences can do sound work, as not only will all the delegates of societies understand what may be going on at the Conference, but they can, through their mother-tongue, easily take part in its proceedings. A separate conference on these lines may be held for Bombay City also. But when such conferences are held, the constitution of the provincial conference ought to be changed. The principle of election must be retained, but the number of delegates should be reduced. Moreover, the delegates should not be elected by societies direct, but by the divisional conferences which will consist of delegates of primary societies. The divisional conferences should see to it that only English-knowing persons are elected as delegates for the provincial conference. These delegates will be able to place before the provincial conference information about and the standpoint of their own divisions, and explain to it the reasons for the various resolutions passed at the respective divisional conferences. Divisional and provincial conferences should be deliberative. District and taluka conferences may be organized for propaganda and education, and partly even for deliberation. There is hardly any necessity at present to introduce the principle of election in district and taluka conferences.

It is not desirable to stop district conferences altogether. In some talukas there are very few societies. Moreover, if only taluka conferences are held, ordinary members may not have any opportunity of gathering in large numbers and coming into contact with the members of societies of other talukas. There will, then, be less chance for them to realise the extent of the spread and the influence of the co-operative

movement. The question whether district or taluka conferences should be held ought, however, to be left to local workers to decide.

A paper embodying these views and suggesting the lines on which the constitutions of the various conferences in the Bombay Presidency should be based was read by the present writer at the last Gujarat Divisional Conference held at Surat in December 1921. The Conference accepted the general conclusions of the writer and passed the following resolution which accepted all the eight suggestions made in the paper, (1), (3)—(6), and (8) in toto, and (2), and (7) with some alterations. As the resolution is likely to be of general interest to co-operators in the Presidency it is reproduced below :—

This Conference is of opinion that it is necessary to frame the constitutions of various conferences in the Bombay Presidency on the following lines :—

(1) Taluka and district conferences should be held as they are held at present, according to local needs.

(2) Divisional conferences, one for each principal vernacular, should be held every year on an elective basis. One conference may, if necessary, be held in Bombay for societies in the City. The business of these conferences should be carried on in the principal language of each division.

(3) Societies should elect delegates for such divisional conferences.

(4) The number of delegates for the principal conference should be reduced, and delegates for that conference should be elected by delegates sent by societies to divisional conferences.

(5) If taluka or district conferences so desire, the resolutions passed by them must be discussed by divisional Conferences.

(6) Those of the resolutions passed at divisional conferences which may be sent to the provincial conference for discussion, must be accepted for consideration at the provincial conference.

(7) No subject which has not been discussed at one of the divisional conferences should be accepted for the provincial conference except with the permission of three-fourths of the members of the subjects committee, consisting of representatives of all divisional conferences.

(8) If possible all, otherwise divisional and provincial conferences, should be held under the auspices of the Bombay Central Co-operative Institute.

This Conference appoints a committee consisting of the following gentlemen to frame the constitution of conferences in the Bombay Presidency on the above lines and to send them to the next Provincial Conference :—Messrs. D. A. Shah, P. H. Banatwalla, V. C. Jadav.

D. A. SHAH



## PROGRESS OF CO-OPERATION IN INDIA

### MADRAS

In Madras, as in most other provinces in British India, there was during the year 1920-21 a considerable increase in the number of co-operative societies and a corresponding growth in membership and resources. The total number of societies increased from 5,028 to 6,289, and the growth in resources from 324.24 lakhs to 490.35 lakhs was contributed by the older societies and did not occur owing to the starting of new societies only. The aggregate membership of the primary societies was 398,062.

The total number of agricultural societies was 5,274. Their membership was 2,80,299, and their working capital Rs. 1,87,61,771. Of these, 5,207 were credit societies, a net increase of Rs. 1,051 over the previous year's figures. Eight of the societies had a limited liability. Membership increased from 2,27,581 to 2,75,442, and the working capital from Rs. 1,56,86,228 to Rs. 1,84,47,619. As a result of the attention devoted to the matter, there was an increase over the previous year's figures in the numbers of tenants and field labourers admitted to membership. There was a fairly substantial growth in the amount of share capital which stood at 18½ lakhs at the close of the year; the reserve funds amounted to 9½ lakhs. The increase in the amount of deposits from members and non-members was a little over a lakh, the figures for the former, at the close of the year, being 6½ lakhs, and for the latter 7½ lakhs. This is unsatisfactory, for unless rural societies attract the savings and surplus funds of their members and establish local credit they can by no stress of imagination be looked upon in any sense as co-operative village banks. There was an appreciable increase in the amounts advanced for cultivation expenses, caused by the increasing use of costly artificial manures by agriculturists. Loans advanced for purchase of food and necessities of life also showed an increase, while there was a reduction in the amounts advanced for repayment of old debts. This was due largely to the difficulty experienced in getting long term loans from central financing agencies. The percentage of short term loans rose during the year for the same reason. Most of the districts in the Presidency had an unsatisfactory agricultural season, and the percentage of overdues to demand which was being steadily reduced from year to year showed a sudden jump from 23.98 to 30.66 per cent. 27.80 per cent. of the interest due during the year and 57.66 of the overdue interest also remained in arrears. The Local Government are disinclined to hold that crop-failures were responsible for bad recoveries. According to them, not only were the recoveries inadequate in several districts where the season was normal, but past figures indicate that

arrears which accrued in a bad season are rarely recovered in a good one. Similarly, a fall in the prices of agricultural produce from the abnormal heights to which they rose during the years of the War is no adequate ground for failure to meet liabilities. Members cannot be allowed to defer payment in anticipation of a rise in prices to the War-time level. Another explanation is that, under the new methods, the periods of loans are regulated by purposes, and payment has to be made in a few large instalments. But even in the earlier years when loans were made repayable in small instalments spread over a number of years, repayments were no more satisfactory. As the Registrar observes, where the older supervising unions keep effective watch percentages of collections are satisfactory, and hence the real remedy lies in less laxity on the part of the financial and supervising agencies, and the better education of members in business habits.

Of the 67 agricultural non-credit societies 63 were supply or purchase and sale societies. These had a membership of 4,676 and a total working capital of three lakhs, nearly half of which were "owned" funds. The total sales of these societies which are known as trading unions amounted to Rs. 3,70,070. Purchases were made on indent, and money was generally obtained direct from the financing agency. In some centres, however, credits were sanctioned to primary societies for distribution among members on account of purchases made on their behalf. In addition, some ordinary credit societies too undertook the function of joint supply, although the value of goods supplied during the year amounted to less than two lakhs against purchases of over six lakhs made in the previous year when large purchases were made of foodstuffs, chiefly Burma rice. These purchases, too, were on the indent system and orders were placed either through a leading society or the local union. The articles dealt in were agricultural requisites, fish-guano and scientific manures, oil-cakes, rice and miscellaneous foodstuffs, cattle-food, and cloth. A few societies also went in for joint sale, but the total sales did not amount to more than three-quarters of a lakh, the net profit realized being Rs. 1,307. It is difficult to ascertain the exact number of other types of agricultural associations as some production and sale societies, the operations of which involve the use of machinery for production, are classed as industrial non-agricultural societies. From the description of the activities of production and sale societies it is found that there were in existence a certain number of agricultural wholesale societies, some societies for the supply and manufacture of manures, some societies for the manufacture of jaggery or for rice-hulling, one garden planters' sale society, and a milk supply society.

The total number of non-agricultural societies increased from 641 to 803, the membership from 1,06,312 to 1,29,489, and the working capital from Rs. 63,70,515 to Rs. 72,50,922. The largest increase occurred in the number of credit societies. These numbered 614, 180 among them having an unlimited liability. The membership of the credit societies was 92,032, and the working capital Rs. 62,22,922. 18½ lakhs represented the share capital and 3 lakhs the reserve funds. Deposits from members and non-members amounted, respectively, to 15½ lakhs and 17½ lakhs, and 7½ lakhs were borrowed from financing agencies. Arrears increased slightly, but not to the alarming extent that they rose in agricultural credit societies. The report does not mention how many of these non-agricultural credit societies were employees' societies, how many people's banks, and how many communal societies. In addition to a few purely credit societies for weavers, there were 21 weavers' societies, which purchased yarn, dyes and other materials of the aggregate value of Rs. 2,64,569, and effected sales of manufactured articles of the total value of Rs. 64,345. 23 new stores were registered during the year, and the total number of stores in existence at the end of the year was 103, with an aggregate working capital of six lakhs. The sales amounted to 17 lakhs and there was a net loss of Rs. 13,148 on these, although nearly half the total number of stores made a profit during the year. The results were, however, unsatisfactory on the whole, and the Registrar attributes this to large and sudden fluctuations in prices, disproportionately high cost of management, and the inexperience of the directors of some of the stores. Inclusive of the stores, the total number of non-agricultural purchase and sale societies was 153, of production societies 2, of production and sale societies nine, and of other types of societies 25. There were 15 building societies, two printing presses, two labour-supply societies, a co-operative hostel, a students' stationery shop, and a co-operative motor service. Most of the building societies only make advances to members for house-building, but some undertake construction themselves. The labour union at Puttur conducted work efficiently on small a share capital of Rs. 200, and earned a profit of Rs. 2,212 on a contract for road repairs which was executed at a cost of Rs. 6,544. There were 48 societies exclusively for scavengers and other municipal employees, 60 societies for Bagadas, four for Kotas, and two for Todas. There was an addition of eleven in the number of societies for fishermen, and as a result of the activities of the Assistant Commissioners of Labour in various parts of the Presidency, 253 societies for the depressed and backward classes were registered during the year.

The number of supervising unions increased during the year from 136 to 171, with an increase in membership from 3,540 to 4,410. Practically

all agricultural primary societies, which were not under the direct supervision of the Labour Department, the Fisheries Department or the Young Men's Christian Association, were affiliated to unions for supervision, as it is only in three of the districts that central banks undertake the function of supervision. The inspection charges amounted to nearly a lakh, and in addition in backward areas where funds were insufficient, the unions were assisted by inspectors belonging to the Co-operative Department. There were two federations of the supervising unions, and two provincial unions, one the Provincial Union—a propagandist and educational body corresponding to the Institute—with its headquarters at Madras, and the other a similar body at Masulipatam started for the sub-province of Andhra.

The number of central banks increased by three, and inclusive of the Provincial Bank there were 32 banks at the end of the year. The central banks had a working capital of Rs. 1,62,29,939 as against Rs. 1,15,38,058 held at the end of the previous year. The paid-up share capital amounted to 18.82 lakhs and the reserves to 2.28 lakhs. 68 lakhs were obtained as deposits from outside, 13½ lakhs as deposits from societies, and 59½ lakhs as loans and deposits from central and provincial banks. According to orders passed by Government, contractors and employees of municipalities and local boards as also jail contractors are permitted to invest their security deposits in central banks, and the amounts held from these sources amounted to nearly four lakhs. There was a considerable growth in liquid resources, and at the end of the year, the cash on hand and in banks was Rs. 5,19,499 and the value of investments Rs. 6,41,411. There was some reduction in the amount of overdue interest in arrears, but the percentages of collections of current interest and principal were less satisfactory than in the previous year. One reason for the growth in arrears is stated to be the reluctance of central banks to give long term loans to primary societies, the members of which defaulted in payments to their societies employing the sale-proceeds of their produce in meeting their own needs. If this explanation is based on facts it reveals a very serious state of affairs and exhibits a position of irresponsibility on both sides which should be examined immediately. The Provincial Bank increased its working capital during the year by over lakhs to Rs. 67,92,712. Of this, so large a portion as 58½ lakhs represented outside deposits, three lakhs being deposits from societies. No deposits were shown as held from central banks of which the Provincial Bank is a federation. The share capital is still very low in proportion to the working capital, and a change may have to be made in regard to the limit of Rs. 15,000 which is the maximum shareholding permitted under the bye-laws. The outstandings of primary societies are

being gradually transferred to local central banks and there was a reduction from 25.80 lakhs to 9.03 lakhs in the figures under this head. Rs. 1,60,084 were due from individuals on account of loans made on the security of their deposits. Rs. 43,649 were held in cash and Rs. 3,68,181 in investments. Overdrafts are granted by the Imperial Bank to the central and provincial banks, and the total amounts sanctioned increased during the year from 17.45 lakhs to 32 lakhs. With the rise in the number of central banks and the inconvenience from the standpoint of the Imperial Bank of watching their working and periodically scrutinizing the securities the system of separate overdrafts is proposed to be abolished and a consolidated overdraft will be allowed to the Provincial Bank—a decision which should be of interest to co-operators in the Central Provinces.

While in other provinces agitation is still being carried on demanding that a summary procedure should be provided for the execution of the awards for arbitrators, in Madras a rule has already been framed permitting such awards to be executed by the application of the Land Revenue Recovery Act, and applications were received for the exercise of these summary powers in 113 cases. This is State aid with a vengeance, although the move is not surprising for a province where Government patronage of the co-operative movement is so "benevolent" that almost every district is provided with an Assistant Registrar and in addition the Co-operative Department boasts of a staff of 228 assistants for field work and 139 assistants for office work. There were, it is true, also 55 Honorary Assistant Registrars and numerous enterprising and energetic non-official workers connected with supervising and propagandist unions, central banks, and various primary societies. But what influence can these have on policy when Government seem obsessed with the idea that without their active sympathy and support co-operation can achieve nothing substantial!

#### BENGAL.

The momentum that the co-operative movement has gathered in some parts in the country can be judged from the figures of the growth of the movement from year to year. In Bengal, for instance, there was an increase of 50 per cent. in the number of societies in the last two years, neither of which could be classed as a prosperous year, and one of which—the year under report—was a season of grave trade depression, financial difficulty, unsatisfactory harvests, and serious political and economic disturbance. There was a considerable falling off in the area under jute, floods caused damage in some districts, in others the outturn of crops was poor, and throughout the year there was scarcity of money. In view of these several unencouraging factors, the greatest caution was exercised in regard to new commitments. Still,

the number of societies increased from 4,508 to 6,366, the membership from 2,17,175 to 2,42,085, and the working capital from Rs. 2,82,61,564 to Rs. 3,33,27,566. Of the capital, the amount borrowed from outside, as deposits from individuals or loans from Government or joint stock banks, was about 1.12 crores only, and the proportion this bears to the total resources is being reduced every year.

Agricultural credit societies increased in number from 4,920 to 5,787, their membership from 1,47,923 to 1,62,287, while the amount of working capital rose from Rs. 1,04,08,201 to Rs. 1,22,62,188. This increase in numbers is well distributed all over the Presidency. The system of shares which has recently been introduced in Bengal appears to work satisfactorily, and during the year the amount of share capital rose from a lakh and a half to three lakhs. The aggregate reserve funds amounted to Rs. 15,72,257. The position in regard to deposits is not equally encouraging. Deposits from members increased by half a lakh only to 6½ lakhs and from non-members by three-fourths of a lakh to 5½ lakhs. The rest of the capital, amounting to 75 per cent. nearly, was obtained by way of loans from central banks. Only in one division, namely Chottagong, are societies reported to be comparatively independent of financial assistance from the central bank which they hope in course of time to use as a balancing centre.

The total number of agricultural societies for purposes other than credit was 67. 11 of these were purchase and sale societies with a membership of over 3,000 and a working capital of 1½ lakhs. This is exclusive of two stores for agriculturists classed as non-agricultural owing to their location in towns. Both were ideal types of stores for villages, and had considerable influence on prices in neighbouring *hats*. Among the agricultural supply societies only one in the Sunderbans was reported to have done well. It had a membership of over three thousand, a share capital of Rs. 21,506, and a working capital of Rs. 1,17,825. Sales amounted to a lakh and a quarter. The society has erected a godown to store the paddy which members are forced at present to sell at a sacrifice for want of storage. There were six irrigation societies, and an officer has been appointed to promote their development. The societies execute irrigation schemes of local utility, such as the building of dams across rivers, the construction of channels and of minor irrigation works which are of supreme importance to a famine district like Bankura in which most of the societies are found. The Registrar holds that the appointment of an irrigation engineer and an overseer will afford real stimulus to this interesting development. The Ganja Cultivators' Society at Nagaon had its progress hampered by the growth of factions which at one time threatened to ruin the Society. But harmony was restored

before the close of the year, and the Registrar anticipates that the Society will carry on its good work in the cause of co-operation and rural reconstruction which it is in a specially favourable position to undertake owing to the large profits made on the cultivation and sale of *ganja*. Among the remaining non-credit agricultural societies, the most important were the group of 40 milk societies situated in the neighbourhood of Calcutta. These received, it appears, a serious set-back in the year under report. Supplies fell off during the rains and the union which was the connecting link with Calcutta found it difficult to meet its contracts. This happened while Mr. Donovan was on leave and his instructions in regard to the development of the work were neglected. If more societies had been organized and members had been financed for purchase of additional cows the reduction in supplies would not have occurred. It is satisfactory to find that, before the close of the year, the loss incurred in the earlier months had been recouped, accounts had been placed in order, and the supplies of milk has increased to the original figure.

The number of non-agricultural societies increased from 360 to 438, their membership from 50,676 to 60,168, and their working capital from Rs. 47,85,753 to Rs. 63,37,657. Less than five per cent. of the capital was obtained from central and provincial banks. Deposits from members and non-members amounted to over 18 lakhs each and the share capital to nearly twenty lakhs. Reserve funds amounted to 8½ lakhs. 148 were credit societies, all of the limited liability type, with a working capital of 56 lakhs, a third of which represented outside deposits and practically the whole of the remaining two-thirds the members' owned capital. 38 of the societies, the largest and most well-managed among the group, were in Calcutta. The number of stores was 90 against 65 in the previous year, and 18 at the close of the year 1918-19. But though owing to economic causes, the number of stores increased considerably their management left much to room for improvement. The main defects were disloyalty of the members, sales on credit, reckless attempts to undersell the market—defects which betrayed a woeful disregard of the fundamental principles of consumers' co-operation. The membership of the store societies was 12,767, the working capital Rs. 8,98,546, and the total sales Rs. 12,58,560. There were 117 weavers' societies, 46 of which were situated in one district where intensive work was carried on for the improvement of the hand-loom weaving industry. The union to which the societies were affiliated had a paid up share capital of Rs. 10,000 and a total working capital of Rs. 31,765. It dealt with weavers through local societies and had organized a satisfactory system of payment for work in wages and bonuses. There were ten societies of cocoon-rearers, seven of shoe-makers, 47 of fishermen, besides about a dozen societies of a

miscellaneous types for various classes of artisans. There were seven anti-malarial societies, and it is interesting to find that an electric supply society was registered during the year.

The number of central banks increased from 69 to 71, exclusive of the Provincial Federation and six guaranteeing unions. In most of the districts of the Presidency there are now more central banks than one, some having as many as five. This arrangement serves to secure decentralization in supervision and local control, and hence it is not very surprising that unions do not seem to appeal to co-operators in Bengal. One of the central societies included among the figures was a central anti-malarial society, the object of which was to subsidise health societies in different places, one was a central union for milk supply societies, and a third an industrial union for weavers' societies. Some ten banks had no individual members, and the tendency both among the older banks and the new ones started during the year was to eschew the assistance of preference shareholders. This is possible in the Presidency because there is also a tendency towards the restriction of the areas of central banks, which mostly cover sub-divisions or even smaller zones. Only then is it possible for societies to run their own banks, to raise capital through their local influence, to provide adequate finance, and to organize a cheap but efficient system of supervision. Mr. Donovan believes that this process must go on as the societies continue to multiply, for a hundred or two hundred societies would be quite enough for one central bank to manage. The total working capital of the banks increased during the year from Rs. 1,04,04,895 to Rs. 1,21,28,552, of which 15½ lakhs were obtained by shares. Reserve funds amounted 5¾ lakhs, 74½ lakhs were obtained by outside deposits, and nearly 19 lakhs from the Provincial Federation. As the total amount of loans and deposits from central and provincial banks was 24 lakhs, it is likely that in spite of the existence of the Federation there continues a certain amount of interlending among central banks. The amount of deposits from societies was under a lakh and a half and the banks do not seem to be used for the deposit of surplus funds by primary societies. Recoveries during the year amounted to a third of the outstandings at its commencement, and there was also a decrease in the amount of fresh loans made to societies. The total liquid resources were 9¾ lakhs against a sum of 42 lakhs maturing during the year for repayment. But this included dues to the Federation. If the figures for the movement as a whole are examined it is found that more than 50 per cent. of the deposits from outside held by the central and provincial banks were covered by liquid resources. There was not much increase in the resources of the Provincial Federation, the working capital of which stood at Rs. 20,41,045 at the end of the year. 3 lakhs were



held as shares, 4 lakhs as deposits from central banks, and 18½ lakhs as outside deposits. The figures of deposits made and withdrawn by central banks and societies show that the Federation does to some extent serve as a balancing centre.

There were no special developments during the year of the work of the Bengal Co-operative Organization Society. A Provincial Conference was held in February, but there is no mention in the report of local conferences. The number of honorary organizers was 78, but doubts are entertained as to the value of the system. There was a large staff of 168 supervising officers under the control of co-operative institutions, and 33 of these were paid by Government. In addition, there were 65 inspectors paid by Government and 40 auditors, working under the Registrar, but paid by contributions obtained from societies.

#### UNITED PROVINCES

Despite a not particularly favourable monsoon and the abnormal economic conditions which prevailed during the year 1920-21, very good progress of the co-operative movement is recorded in Sheikh Makbul Hussain's annual report for the year ending 30th June 1921. The cautious policy pursued in the preceding few years has been amply justified in that the rate of progress continues unabated and the organization works smoothly even in the period of economic stress and strain through which the province passed last year.

Agricultural societies increased in number from 3,498 to 4,223, their membership rose from 89,522 to 102,057, and their working capital from Rs. 48,13,537 to Rs. 57,75,276. A feature of the year was the opening up of new areas and the extension of the movement to unbroken tahsils and tracts under existing banks. The number of dissolutions, 111, was a third of the number of societies dissolved in the previous year. Credit societies increased in number from 3,468 to 4,213. Membership increased by 12,519, and the working capital by Rs. 9,61,339. The owned capital, consisting of shares and reserve funds, amounted to over 22 lakhs. There is little evidence, however, in the figures of any effort to build up a strong owned capital on a basis of self-help and thrift. Deposits from members amounted to fifty thousand only and about lakh and a quarter were raised by deposits from non-members. The only credit which the societies enjoy is with their central banks. A good number of societies which completed ten years of working were allowed to distribute dividends on fully paid shares and were advised to reduce their rate of interest on loans. There was an increase of 1.77 lakhs in arrears as compared with the previous year, and recoveries were shorter by 3.20 lakhs, but in view of the unfavourable nature of the season the Registrar does not consider the

results unsatisfactory. Much care was taken to restrict the number of members and to keep down the amounts of loans. The average amount of loan outstanding from a member is as low as Rs. 46 and it is a matter for consideration whether the tendency to make societies too small and to underfinance them has not been carried too far. More money was advanced during the year for payment of debts, purchase of cattle, and for trade than for purchase of seed or for payment of rent. Loans for repayment of old debts represented only 8.6 per cent. of the outstandings, and the Register feels that there has been a disposition to treat too lightly the question of discharge of old debts, one of the main objects with which the system of co-operative credit was introduced in this country. Instructions were issued to societies and to those responsible for their guidance and supervision to endeavour constantly to pay off the debts of members of proved and tested capacity. Panchayats have been advised to examine the indebtedness of each member at the very first meeting after registration and to frame schemes of liquidation to be carried out in definite stages as funds permit.

Agricultural societies for purposes other than credit numbered ten at the close of the previous year. The most interesting development in this direction was the starting of a central supply society at Hardoi. It took over from the District Board a seed depot through which it sold during six-months over 3,000 maunds of Pusa wheat and a hundred maunds of cotton seed. The sale of manure and implements was also undertaken, and implements were let to members on hire. The society had at the end of the year a working capital of Rs. 7,000, of which Rs. 2,000 represented the reserve fund. The membership consisted of 81 societies and 43 individuals.

The number of non-agricultural societies was 192 as against 148 at the end of the previous year. The total membership was 8,569 and the working capital Rs. 6,25,021. There was an increase of 20 in the number of credit societies with limited liability, and the group included such diverse types as weavers' societies, employees' societies, town banks and the like. The societies had a working capital of 4 lakhs, less than 8 per cent. of which was derived from non-members and central banks. 130 were credit societies, with an unlimited liability, intended for weavers, shoemakers, leather-workers, bangle-makers and other petty artisans. Joint sale of manufactured articles and joint purchase of raw materials are occasionally undertaken by these societies. Their unsatisfactory position is clear from the fact that arrears amounted to 42 per cent. of the outstandings. There were 24 non-credit non-agricultural societies, of which 4 were college

stores, 17 general stores, one carpentry and iron works society, one housing society and one "coolie" agency. The last-named is likely to go as it was an offshot of the *begar* system now proposed to be abolished. The co-operative housing movement, the Registrar believes, has good prospects before it provided Government grant some financial and administrative assistance as in Bombay City. A new development was the formation of the Hindusthan Store at Allahabad, which covers the whole of the province as its area of operations. Not only will it carry on the business of distribution but will also arrange for the sale of agricultural and other produce, encourage co-operative production, and serve as an information bureau for co-operative institutions.

Apart from ten guaranteeing unions, the total number of central societies in the province increased during the year from 65 to 68. Their working capital increased from Rs. 60,67,651 to Rs. 65,57,264. Two of these were non-credit central societies reference to the working of which has already been made. Thirty were district banks, 28 central banks of the mixed type for areas smaller than a district and eight were banking unions of the pure type with societies only as members. In addition to the registered guaranting unions—which, according to the Registrar, form a valuable organization for decentralizing supervision and control—there are a few supervising agencies carrying on their operations in outlying tracts under district banks. The paid-up share capital of the central banks amounted to 13½ lakhs and the aggregate reserve funds to nearly eight lakhs. 38½ lakhs were secured by outside deposits, and 4½ lakhs represented interlendings among the various banks. That the banks have not yet begun to act as real balancing centres is evident from the fact that deposits from societies amounted to a little under ninety thousand. As against these liabilities the banks held Rs. 5,49,639 in cash and Rs. 7,70,679 in investments. No further information is available about the position of the banks in the matter of fluid resources. The proposal to form a provincial bank seems to have been abandoned and transfers between different banks were adjusted through the Registrar who was supplied with monthly statements of the financial position of all the banks. There were still Rs. 43,031 due to central banks by individuals but the amount was a considerable reduction on the previous year's figures. The figures of both advances and recoveries were higher than in the previous year, and the proportion of arrears to the total outstandings was reduced during the twelve months. Several of the banks interested themselves in the improvement of agriculture and assisted in the introduction of improved methods, the distribution of approved varieties of seed and manures, and the sale of improved implements.

Organization and supervision are generally entrusted to central banks and unions, and there are no workers corresponding to honoray organizers in this Presidency. There is no central organization like the Institute, but there is a Standing Committee of Co-operators which acts as an advisory board for the Department. Mention is made in the report of the holding in January 1921 of a provincial conference. In connection with this there was also held an agricultural and industrial exhibition at which were exhibited the products of co-operative societies and such other manufactures of the province as could be produced on a co-operative basis.

### CENTRAL PROVINCES

The progress of the co-operative movement in the Central Provinces and Berar for the year 1919-20 was reviewed in the March issue of this journal, and in the current issue there is published an article dealing with the report of the committee appointed by the Local Government to enquire into the financial position of the movement. In dealing with Mr. Crosthwaite's annual report for the year 1920-21, it is needless to go into the details of the financial crisis which overtook the movement at the end of the year 1920. In the previous year, nearly six hundred new societies had been registered, and the average loan due from an individual member in agricultural societies had increased from Rs. 100 to Rs. 131. This had placed a severe strain on the resources of the Provincial Bank, which, as the apex bank in the true sense of the term, was responsible for the finances of the whole movement. In the first few months of the year 1920-21, the progress in registration continued and 226 new societies were organized. Registration had then to be stopped owing to the disappearance of the fluid resources accumulated in the Provincial Bank, and the consequent difficulties felt by central banks in financing even the existing societies. There was a weeding out of 100 bad societies, so that the total number of societies was 5,011 as against 4,885 at the end of the previous year. Membership increased from 1,45,750 to 1,56,787, and the working capital from Rs. 2,46,82,544 to Rs. 2,99,49,862.

The total number of agricultural societies increased from 4,456 to 4,569. Of these, 4,535 were credit societies with a membership of 73,879. The working capital of these societies increased from Rs. 93,27,320 to Rs. 1,24,77,607. The owned capital was less than ten per cent. of this, the reserve funds contributing over nine and a half lakhs. Deposits from members were reduced from Rs. 1,66,193 to Rs. 1,48,698, and even these were not well distributed in all societies. A third were held in one district, and in some districts societies did not hold any deposits from members.

Equally unsatisfactory was the position in regard to outside deposits which amounted to the very poor sum of Rs. 41,221. Thus out of a crore and a quarter, all except twelve lakhs represented loans. Included in this figure of loans was a sum of Rs. 6,64,683 obtained from Government as *takavi* loans to members on the guarantee of the societies. This was a special form of assistance necessitated during the year by the financial crisis which depleted the resources available for financing members for current needs. Of the sum of seventy lakhs advanced as loans to members, 62 per cent. was utilized for cultivating expenses, but the percentages are vitiated by the fact that cash loans amounted to Rs. 31½ lakhs only, and the rest represented renewals. Ten lakhs were advanced for repayment of old debts, a very high figure in a year of financial stringency when assistance might well have been restricted to the productive demands of members. The average borrowed capital per member was Rs. 154. As against this, Mr. Crosthwaite explains, the average contribution of a member to the reserve funds of his primary society and the share capital of his central bank were Rs. 33, reducing the net average indebtedness to Rs. 121. A curious commentary on the highly centralized system of co-operative administration in the Central Provinces is afforded by the fact that, except in one district, the cost of management is shown as nil or a few rupees. The work of account-keeping is carried out by Moharrirs appointed by the local central bank on behalf of the Provincial Federation, and forms and books are supplied by the latter, in return for which services contributions at the rate of Re. 1 per member are collected through the societies.

Six of the non-credit societies were agricultural associations for the purchase and sale of seed, manure and implements. These associations have, it is stated, proved of great assistance in spreading a knowledge of improved agricultural practice and the propagandist work of the Department of Agriculture is carried on through their agency. There were two cattle-breeding societies, both of which have obtained leases of fuel and fodder reserves from which they receive a good income, but they do not seem to be doing much besides. There was one cotton ginning society. The most important among the non-credit group were 25 seed unions for the production and distribution of pure seed. This work has been developed on very successful lines under the guidance of the Department of Agriculture, and the unions are useful not only in maintaining purity of the strain of cotton and propagating approved varieties but have stimulated agricultural organization and created local interest in the improvement of agricultural conditions. A side activity is the starting of crop protection societies and pig-killing clubs. Small agricultural associations have also been started in some places.

The number of non-agricultural societies remained 99 as at the close of the previous year, but membership increased from 4,682 to 5033, and the working capital from Rs. 3,40,764 to Rs. 3,95,065. 59 of these were credit societies with unlimited liability, mostly consisting of weavers. This type of society has not been much of a success as in some other provinces. Six were credit societies with limited liability, five of which were societies for employees. There were three production and sale societies, including a dairy and one motor union. The remaining thirty non-agricultural societies were stores. These had a membership of 3,357 and a working capital of over two lakhs. Ten of the registered stores failed to start operations and ten worked at a loss. The others too did not do particularly well. In most stores sales on credit were permitted, accounts were occasionally not kept well, stock was not taken periodically, committees were often apathetic and unwise purchases were made in a few. Several conferences of the promoters of stores were held, fortnightly bulletins were published giving commercial intelligence, and no undue interference in internal affairs was exercised by the Registrar and his staff. The experience of most Indian provinces has been similar, and if the consumers' movement is to be a vigorous growth in this country the defects observed in various provinces need to be investigated with a view to devise some common line of remedial action.

It is only in the Central Provinces that the recommendation of the Committee on Co-operation in regard to the organization of guaranteeing unions was faithfully carried out. In the year under report, the number of such unions increased from 294 to 307. The number of affiliated societies increased from 1,351 to 1,456. Mr. Crosthwaite believes in the utility of unions as connecting links between the primary society and the central bank, and holds that they are the most suitable agency through which decentralization can be secured in co-operative administration. Training and guidance are undoubtedly necessary, but if these are arranged, a vast rural organization will be built up on a sound and enduring foundation. In view of these remarks, it is curious to observe that no supervisors, either paid or honorary, are shown as working under the unions and no expenditure was incurred by these bodies during the year. If Mr. Crosthwaite wishes the unions to undertake responsible duties and is anxious to delegate the powers of the central banks and the Federation to them they should be allowed to work as self-governing bodies, raising their own income and spending it themselves on the payment of salaries to supervisors and of allowances to members of committees, to whom should be entrusted the work of organization and supervision. Mr. Crosthwaite refers to some tentative efforts made at training the literate members of rural societies

in simple audit work. This is good in itself, but it would be preferable to allow members of societies and unions more freedom in internal management and to develop a system of internal supervision carried on by members responsible for their acts to the local co-operative societies they represent, rather than to entrust to them duties of a higher order for the performance of which they are to be made responsible either to the Registrar or directly to the Central Federation.

While the number of central banks in the province remained stationary at 34, their membership increased by about 5,000 individuals and 300 societies, and the amount of working capital rose from Rs. 1,08,37,636 to Rs. 1,30,21,903. Half of this represented outside deposits. The paid, up share capital and reserve funds constituted 18 per cent. of the total resources. Despite the difficulties caused by the suspension of credits by the Provincial, Bank loans were made to societies to a somewhat larger extent than in the previous year, recoveries were satisfactory and the holdings of the banks in cash and securities increased, reducing their dependence on the Provincial Bank. The latter is an apex bank of the federal type and just as primary societies and all their individual members are shareholders in central banks in the province, all central banks and their affiliated societies are members in the Provincial Bank. Its working capital was reduced during the year from 41½ lakhs to 40½ lakhs. The Bank's reserves and investments were all used up to meet the exceptionally heavy demands made on its resources after October 1920, but at the close of year under report nearly six lakhs had again been accumulated. The cash credit obtained from the Imperial Bank of India was paid off, and the outflow of deposits was checked by raising the rates of interest. As the margin of profit was thus reduced the lending rates had to be increased correspondingly, and the common rate on advances to members is now 15 per cent, a rate which, Mr. Crosthwaite urges, is less than half the local rate of interest. This may be true, but the rate in itself is too high to enable agricultures to extend and develop their business on an economic basis, and the real gain to the cultivator will not be as handsome as Mr. Crosthwaite imagines, in view of the rigidity of the system of finance prevailing in most parts of the country. It is a question for examination whether it is wise to continue a system of agricultural finance under which, in the absence of a strong nucleus of long-term capital, loss has to be incurred on the maintenance of a high provision of fluid resources against short-term capital leading on to an increase in the cost at which money is made available to the cultivator.

## COCHIN

The co-operative movement was introduced in the State of Cochin in 1913 since when it has made steady progress from year to year. At the close of the year 1920-21, the total number of societies was 96 as against 11 in 1918, while the working capital was nearly six lakhs and a half as against less than ten thousand seven years ago. The number of agricultural societies increased during the year under report from 58 to 70, their membership from 5,436 to 6,784, and their working capital from Rs. 1,62,432 to Rs. 2,19,747. Of the total number only one was a non-credit society. Shares and reserve funds constituted 15 per cent. of the working capital. Compared with some provinces in British India, the figure of deposits from members, Rs. 52,563, is satisfactory, and it is interesting to find that about twenty thousand were raised as deposits from non-members. 75 per cent. of the loans advanced were for productive purposes and 23 per cent. for repayment of old debts. Recoveries were fairly satisfactory, though the overdues at the end of the year amounted to nearly twelve per cent. of the outstandings. For the finance and supervision of the societies there is in existence a central bank composed solely of societies as members. This bank increased its working capital during the year from a lakh to a lakh and a half. Though the subscribed share capital was a fifth of this, the amount of the paid-up share capital was only eight thousand. Deposits from individuals and societies amounted, respectively, to Rs. 60,000 and Rs. 20,000, while Rs. 65,000 were held as security deposits from Government servants. It may be noted that agricultural credit societies held nearly twenty thousand rupees as security deposits and non-agricultural societies Rs. 49,000. This seems to be a special feature of co-operative finance in the State. Non-agricultural societies increased in number from 18 to 25, their membership rose from 3,654 to 3,929, and their working capital from Rs. 230,292 to Rs. 2,70,788. Of these, seven were town banks, five employees' societies, five fishermen's societies, one carpenters' society, one weavers' society, one metal workers' society, one fisheries industrial society, one conveyance society, and the remaining three stores. All except 15 of the societies in the State were of the unlimited liability type. There was some increase in the amount of capital derived from the State which stood at Rs. 14,400 at close of the year. This increase was due to the grant of a loan of Rs. 10,500 to a weavers' society to serve as initial capital.

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## REVIEWS

**Some Aspects of Co-operation in Germany and Italy.** By M.L. Darling, I.C.S.,  
(Superintendent, Government Printing, Lahore, Rs. 3-8-0.)

This volume of nearly 200 pages is an admirable report of a tour made by the author in Germany and Italy in 1920-21. It is written in simple yet elegant English, and even though there is no studied attempt at style, the book makes pleasant and interesting reading. The object of the report is not to record co-operative achievements in these countries but to describe various types of co-operative institutions in their actual working. The aim has been to share the fruits of this first hand study of co-operation abroad with co-workers in the Punjab, where Mr. Darling was for over three years—prior to his deputation to Europe—Joint Registrar of Co-operative Societies. The co-operative worker in India who has no acquaintance with conditions in Europe is often puzzled and bewildered by the records of co-operative achievements he reads in standard English works. He is rarely a position to make his researches of much practical value in the absence of information on matters of technical detail. The great merit of Mr. Darling's book consists in his adopting the standpoint of the Indian—or rather the Punjabi—co-operator in his studies, in correlating his observations in Germany and Italy with existing conditions in the Punjab, and in attempting to indicate directions in which the Punjab—or other provinces in India—may profit by the experiences of countries with older and vaster co-operative organizations.

Mr. Darling toured in Bavaria and the Rhineland which, according to authorities like Mr. Wolff, are probably the two best fields in Germany for the study of agricultural co-operation. The Indian co-operative organization, particularly the system of agricultural credit, is largely modelled upon the German, and no country can have so much to teach India as Germany in regard to co-operative credit. After Germany, northern Italy shows the most extensive developments of co-operation in various aspects, and while the first ten chapters of Mr. Darling's report deal mainly with co-operation in Germany the next four are concerned largely with the special types of societies which are a feature of Italian co-operation. The grouping of the chapters and the arrangement of the matter both tend to facilitate the task of the student as of the general reader. Statistics undoubtedly find a place, but as few figures are given as possible, both because of the difficulty of obtaining accurate statistics after the War and the danger of confusing and bewildering the reader who wishes to glean only actual facts. Each chapter opens with a brief survey of the conditions which have created a need for the type of co-operative

institution dealt with. There is then a description of the general system of organization, followed by detailed information on technical points such as liability, constitution, finance, management, distribution of profits, and so forth. With a view to show what co-operation means to the individual member of the society, the working of a few typical institutions is described, and special features or defects are indicated. Comparisons are drawn with conditions in the Punjab and an attempt made to indicate the lines of future growth.

The most striking fact that emerges is the amazing growth of co-operation both in Germany and Italy in the last few years when every economic law has been broken, agrarian disorders have occurred in several countries, and an unprecedented depreciation in currency has taken place. As a leading Italian co-operator observed to Mr. Darling, "the War has buried in its ruins men and their institutions, philosophical systems and political and economic doctrines, but it has given wings to co-operation". May it not be that, "as in the hour of need men turn instinctively to religion, so now in the hour of economic need men are turning to co-operation, for co-operation is religion applied to business"? In the two years following the War, 10,000 societies were started in Germany and the pace is still maintained. The driving impulse has been necessity, the hard, dire necessity of defeat and economic paralysis, but that this sensational growth should have occurred during a time of economic break-down and political instability is, as Mr. Darling puts it, "a fine tribute at once to the power of co-operation and to the unconquerable spirit of man". In Italy, as also in Germany, one of the main reasons for the spread of co-operation was this hatred of the profiteer and the recognition that co-operation is the only means by which the power of the profiteer can be broken. Political rivalry between Catholics and Socialists has also stimulated the progress of the movement, and an equally potent factor has been the lavish financial assistance given by Government in the hope that co-operation would prove a sedative to the agrarian and industrial unrest caused by a long war.

The total number of societies in Germany was over 47,000 last year, and the membership nearly 7 millions, representing nearly half the number of families in the country. Agricultural societies numbered 33,345 and included 80 per cent. of the 2½ million peasant proprietors in the country. Village banks continue to be the foundation of the agricultural co-operative system in Germany and number 18,740. These are federated in an efficient controlling organization, and have a first rate banking system. The next important type of societies are for supply and sale. These numbered 4,000, creameries numbered 3,000, electric supply

societies 3,000, and there were 4,000 miscellaneous types of agricultural societies. Among urban societies, the most important types are the store, the Schulze-Delitzsch industrial bank, craftsmen's societies and house-building societies. The country has an admirable system of co-operative land mortgage credit and it is possible to raise loans on mortgage at rates so low as  $4\frac{1}{2}$  per cent. The consumers' societies have their own federation, the other urban societies theirs, and there are two federations for agricultural societies. Recently there has been a tendency for all the four federations to draw closer together. In Italy, the general organization and a sound financial system are lacking, and though there are no less than 2,750 village banks their importance in the movement is not considerable. There are, besides, 1,500 creameries and 1,000 supply societies. Unlike in Germany and England, the consumers' movement has spread to rural areas, and there were 6,000 stores in Italy, of which over half were in villages. People's banks which are another notable type of co-operative organization in Italy and these numbered 800. They lack the cohesion of the Schulze-Delitzsch banks in Germany, but otherwise have done remarkable work in popularizing modern banking methods and in financing petty artisans and traders as well as agriculturists either direct or through societies. The most striking achievements of Italy have, however, been the co-operative farm and the labour society. Masons, bricklayers, cement workers, dockers, carpenters, day labourers, carters and many other types of manual workers have organized themselves into labour societies to eliminate the contractor and undertake contracts themselves. The total number of labour societies is 2,500 and of co-operative farms 500. The object of the farms is to eliminate the middleman rent-collector and to provide a remedy for unemployment. Some societies allow their members to cultivate and even to own their plots of lands, while in societies organized by Socialists land is cultivated collectively.

After this general introduction to the movement in the two countries and a succinct survey of their political connections, their aims and ideals, Mr. Darling deals with the village bank, federations and unions, and central and state banks. It is impossible within the space of a brief review to refer to the many interesting details of which Mr. Darling treats in the various chapters. The students will find in these ample material for thought, the practical worker hints for practical application. There are, however, certain features of general interest to which attention may be invited. Despite his obvious prejudice against the view, Mr. Darling is forced to admit that Raiffeisen himself contemplated a single society being "maid of all work" and that especially in Ireland the future is thought to lie with the general purposes society. Even in Germany, notwithstanding the existence of a large number of supply societies, most

of the village banks supply their members' agricultural requirements and to some extent also their domestic requirements. In small villages separate societies are difficult to organize and more expensive to conduct. Though sale through village credit societies is less developed than supply, the village bank can and does act as a collecting agency for an agricultural wholesale or the central bank which sells the goods. In Italy and Ireland, village banks are practically at a stand-still, mainly because the societies owing to the absence of a central banking system have failed to encourage thrift, and thus to keep alive the interest of members. Germany had 25 agricultural central banks at the end of the year 1919. The most important distinctions between the central banks in Germany and in India are that in the former the individual shareholder has been almost wholly eliminated, and that, as a rule, the deposits held from primary societies exceed the advances made to them. As the bulk of the money held is from co-operative societies the need to maintain a high standard of fluid resources is less than in India where the bulk of the capital is in the form of outside deposits. Though the Imperial Bank at Berlin enjoys State aid and patronage and is subjected to official control, State interference and State help do not reach the undesirable extent which they have attained in Italy, where the financing undertaken by the State through the National Institute of Credit is a warning against cheap loans direct to primary societies or in any form likely to have a pauperising effect. Except to a certain extent in Italy, central banks in both the countries do not exercise any direct supervision and control over affiliated primary societies. For co-ordination of activities, for supervision, audit and control, the latter federate themselves into sub-divisional and provincial audit unions, which seek affiliation to two national federations. But although the organizations are different, the personnel is often the same, and the president of a union is generally the president of the local central bank and the agricultural wholesale. The different organizations, therefore, form an inseparable whole.

The next three chapters deal with supply and sale societies in Germany, the granaries, milk societies, and wine-growers societies. Matters such as the constitution of the primary societies, the organization of wholesales, direct sales to consumers, enforcement of loyalty among members are described with care in the chapter on supply societies. The advantages of granaries are set forth at length, and in view of the importance of this type of society to the wheat-exporting tracts of the Punjab its organization sketched in great detail. The vine-growers' societies, according to Mr. Darling, present an admirable example of the benefits of co-operative manufacture of agricultural produce likely to prove of interest to workers connected with co-operative societies of cotton-

growers in the Punjab or Bombay. Then follows a chapter on electricity societies, which have been organized in recent years when the War caused a great shortage of coal and oil. Again, the scarcity of draught animals, their prohibitive prices and high cost of maintenance, as Mr. Darling notes, "have made the use of machinery more than ever desirable", and electricity has been accepted as providing the cheapest power for running this machinery, as also for lighting and heating purposes. Some societies have their own power stations, but most of them are supply societies for obtaining electricity on advantageous terms from central power stations. Craftsmen's societies—which have a chapter to themselves—form another important group, and numbered 4,218 at the end of 1920. Generally there are separate societies for different classes of workmen, and a large number of these are supply societies providing members with their professional requirements. Work is carried on at their homes by members of these societies which often enter into contracts for the manufacture of articles. There are also a large number of producers' societies where members work together in a common work-shop for wages.

The chapter on house-building is not very comprehensive in its scope, which is natural enough considering that the bulk of the house-building societies were started since the War, and the movement is of recent origin in Germany. But even then there is ample material made available to those in the Punjab and elsewhere who wish to plead with the Government for financial assistance to co-operative housing. State help in Germany has taken three forms—"direct loans to individual societies to cover the unremunerative part of the cost of building, advances through a special central bank, and second mortgage loans by the Development Commission". The remaining chapter devoted specially to co-operation in Germany is on land mortgage credit. It contains an exhaustive account of the working of two typical land mortgage banks, the object of which is to assist the small proprietor. Although the problem of transforming the mortgage debt of the country from a burden into a source of strength is one that demands immediate solution in India, hitherto it has claimed academic attention only. Government are in no small measure responsible for this apathy as they have led the public to imagine that by resorting to the system of co-operative credit agriculturists will be able to obtain relief from the load of oppressive debt and free themselves from the bondage of the usurer. Co-operative credit, however, covers essentially short term finance, and in Germany, in Japan, in Roumania and elsewhere there is an attempt made to provide for agriculturists long term loans on mortgage security, frequently on the basis of some financial assistance from the State. There is nothing very complicated in the

working of these mortgage banks, and if village co-operative credit societies are recognized as local agents, land mortgage business can be undertaken even by a bank operating from the provincial headquarters. A start in this direction has been made in the Punjab, and the hints and suggestions contained in this chapter should prove valuable to co-operators in the Punjab and elsewhere who are anxious to handle this extremely important problem of rural finance.

The next four chapters deal with forms of co-operation found mainly in Italy. In the first of these there is a lucid description of peoples' banks, the scope of their operation, their relations with other co-operative institutions, their defects, and their dealings with "persons of small means". An account is also given, for purposes of comparison, of the banks in Germany, and the general conclusion is drawn that there is in India—with modern banking facilities still unprovided by commercial banks in most parts of the country—an unrivalled field for co-operative urban banks of the Italian or German type. A chapter is devoted to the village store in Italy and the general purposes society in rural Ireland. Both types have succeeded well in their respective countries, but for success, as Mr. Darling points out, it is important to start with a nucleus of real co-operators who will hold together when difficulties begin. Other conditions of success are wholesale purchases, standardization of orders, and direct dealings with the producers.

Co-operators in Bombay will feel specially interested in the chapter on Co-operative Farms, in view of the resolutions passed at the Provincial and local conferences urging the organization of societies for joint cultivation as a measure for overcoming the conditions which render the pursuit of agriculture uneconomic in many parts of the Deccan. It is as a remedy against unemployment that co-operative farms were started in one part of Italy. Although the beginnings of the movement go so far back as 1886, progress was hampered by lack of funds. After the War, when agrarian disturbances broke out in many parts of the country co-operative farms were generally unaffected, and Government seeing that co-operation provided a remedy for discontent actively assisted in the spread of the movement by granting liberal financial assistance. Two main types of societies have been evolved; societies organized by Catholics are individualistic, those organized by socialists collectivist. In both, land is rented or purchased by the society for cultivation by its members. In the former, each member cultivates his own plot, paying the society rent in cash or in kind; in the latter, individual possession is either altogether disallowed or permitted to a small extent, all produce is pooled, and members work for a fixed wage under the directions of the society's

manager. The co-operative farm, according to Mr. Darling, has had a steadying effect upon agriculturists, in several places the competition for purchase of lands that leads to speculative prices has been checked; in others land reclaimed, and better farming promoted. Everywhere the ideal of mutual service have been introduced, and the ancient corporate spirit revived. Verily, as Mr. Darling observes, the collectivist farm has been the high water mark of agricultural co-operation in Europe.

What the co-operative farm has achieved for agricultural production, the labour society holds forth a hope of achieving in other spheres of work. Started originally with the simple aim of eliminating the contractor and of undertaking contracts on behalf of workmen themselves, in its more developed farms the labour society aspires to operate mines and factories. Although Mr. Darling deals mainly with the simpler forms of the labour society he makes mention of the societies which have taken over lignite mines, foundries and arsenals from Government, own printing presses and glass factories, and undertake the work of building or repairing ships. Realising that there is no better sedative for the industrial ferment which has recently manifested itself in Italy, the Government of the country have given lavish assistance to the movement through the National Institute of Credit. Generally only contracts with public bodies are financed, as the sole security for the loans is the payment order for work done. After finance, the main difficulty has been the maintenance of discipline. The close touch which is established with trade unions serves to prevent disputes about wages and hours of work, but as discipline is more difficult to enforce in a co-operative society than under an ordinary employer, the average output of work may probably be lower. This, however, as Mr. Darling points out, is a small price for the community to pay for the greater freedom and contentment of the wage-earner, and, in the long run, by improving conditions of work and by reducing strikes co-operation may even increase production. To India, with its industrial organization still in the transitional stage, this movement with its immense potentialities should afford high hopes for avoiding the evils of the industrial system in Europe.

With a good many of the conclusions deduced by Mr. Darling it is easy to find oneself in agreement. His main theme is that co-operation is something more than a system; it is a spirit, an attitude of heart and mind never more needed in the world than to-day. But how can this spirit be gained? Mr. Darling believes that the best way to imbue simplemen with the co-operative spirit is to bring them together to discuss their common needs, to discover and encourage the right types of leaders, and to pay unceasing attention to teaching and training. Where Mr. Darling,

however, is wrong is in assuming that the State alone in India can provide the central organization uniting the several types of societies—rural and urban, of consumer and producer—checking separatist tendencies and inspiring workers with zeal and enthusiasm. Inspiration has to be sought elsewhere, and just as Germany did not hesitate to draw upon all classes for the qualities of leadership her co-operative movement demanded, so need not India. Leadership postulates education, and it is among the educated classes that co-operators will find the men of parts who can undertake—under the direction and control of co-operators themselves—the responsible management of complex types of co-operative organizations. It is unfortunate that Mr. Darling—who is, one notes with pleasure, scrupulously fair to the late enemies of his country, namely, the Germans—should be so carried away by the prevailing opinions of his compatriots in India as to be obsessed by an imaginary theory about a marked cleavage that is supposed to exist between town and country in India. If there are any defects in this otherwise admirable book they are the recurrence of this theory, a belief—very natural in an Indian Civil Servant—of the efficacy of State action in India, and a hidden deep-rooted disbelief in the capacity of the Indian people. These, however, may be merely the impressions of the reviewer; in any case they do not detract from the great merit of the work as whole, nor do they diminish to the slightest extent the sense of obligation under which Mr. Darling has placed co-operators in all parts of this country.

V. L. M.

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**"Agricultural Progress in Western India".** By G. Keatinge, C. I. E., I. C. S.,  
(Longmans Green & Co.)

The Bombay Presidency has many reasons for cherishing the memory of Mr. Keatinge who has just retired from the post of Director of Agriculture, which he has filled for more than half of his total service in India. It was he, more than any other man, who by his energy and foresight created the Department of Agriculture in the Bombay Presidency as we know it to-day, and directed its activities in those special paths which have made it, perhaps, the foremost Department of its kind in India. Scarcely any taluka of the province can have remained unvisited by him in the course of his lengthy tours, and wherever he went, he left behind him friends and well-wishers. Thousands of obscure cultivators must have profited by his shrewd and practical words of advice. The agricultural co-operative movement of the Presidency gained immensely by his inspiring guidance during its early years. Many men have left India from loftier stations and with more glittering acknowledgements of their services. But few can have retired more



genuinely missed and regretted by a vast circle of friends of every rank and in every district. That this feeling was mutual may be seen from the touching dedication of this book "To the Landholders and Cultivators of the Bombay Presidency from whom I have experienced so much kindness during the past twenty-seven years."

Mr. Keatinge could not have bequeathed a more valuable legacy to the Presidency than this wise and illuminating book which marks a distinct advance, both in breadth of view and in easy mastery of his subject, over his previous work on "Rural Economy in the Bombay Deccan." Suggestions have often been put forward that some enquiry should be instituted as to the actual results of the establishment of co-operative societies in particular villages on the economic condition of the peasants. Those who put forward such suggestions, probably, little realise—certainly the present reviewer had never before fully realised—how exceedingly difficult and complex a thing it is to form an accurate estimate of agricultural progress. The profits of farming, the values of land, the outturn per acre, the condition of cultivators, fluctuations in the area cultivated, the standard of living, the state of labour supplied, the machinery employed, the character of the holdings are by no means an exhaustive list of the factors that must be taken into account. Mr. Keatinge's conclusion is, considering the complexity of the question, remarkably definite and clear-cut. "It now remains to formulate some definite opinion as to the agricultural progress which may be taking place in Western India. It has been shown that the area under cultivation has been increased about as far as is possible, that land values and rentals are enormously enhanced, that a large, and apparently permanent, rise has taken place in the value of all agricultural produce and especially in the case of export crops, and that the area under export crops has been increased so as to take advantage of this fact. Permanent improvements to the land are steadily, if slowly, taking place, and some improvements in the technique and outfit of the cultivators can be claimed. As a result of all these factors we would naturally expect to find that the spending capacity of the cultivators was steadily increasing, and that their power of resistance to famine conditions was greater. This is what we do find. As against all this we must offset the steadily increasing sub-division and fragmentation of the land, and the tendency of many cultivators and labourers to do less work than formerly."

Progress, in Mr. Keatinge's opinion, has certainly taken place in the prosperity of cultivators with adequate holdings and among landless labourers. Those who are benefitted least or have even gone back are those who have little land either to support them or to provide them with work throughout the year, that is, a large proportion of the cultiva-

tors of India. Mr. Keatinge's final conclusion is that "agricultural progress has taken place in Western India but that the pace has been slower than it has been elsewhere, slower than it need be there."

In the chapter dealing with the organisation of agriculture the author takes a sanguine view of the part which has already been played by the co-operative credit movement and of its future. "The strength of the system has been demonstrated in recent years of financial difficulty, and the momentum which the co-operative movement has acquired, as a result of the disinterested labours of many enthusiastic workers, permits the expectation that before many years the bulk of the cultivators will be enabled to realise their credit to the full, and to obtain as much capital for current operations or for productive developments as it is safe for them to handle." But when he touches on co-operative purchase and sale, he is oppressed with the difficulties which confront organisation on these lines. Co-operators in the Bombay Presidency have already had some practical experience of those difficulties and will no doubt endorse the cautious view which Mr. Keatinge takes of such developments.

The question of finding subsidiary occupations for agriculturists during the un-occupied portion of the year is one that has often exercised the minds of co-operative organisers. Spinning, weaving, coir-matting, rope making and so forth have been suggested as possible occupations. On this subject, the views of Mr. Keatinge are interesting and will command the acceptance of most impartial observers: "Attempts have been made to get cultivators to take up unskilled work such as cotton spinning by hand, but in view of the efficiency of spinning mills such operations can be justified economically only on the assumption that the cultivator now wastes so much of his time that any work which he does, however badly paid, will be better than nothing. Unfortunately, the existing facts in many cases justify such an assumption; but to condemn the cultivator to this uphill and uneven competition is a counsel of despair. The subsidiary industry *par excellence* of the cultivator should be the breeding and rearing of live-stock, which provides an occupation and an income at all seasons, and returns to the soil the manure which is necessary to maintain it in high fertility. There is a good demand for milk and milk-products, as well as for poultry, eggs, and mutton; and even the smallest cultivators might keep cows, buffaloes, goats or poultry".

On the human factor in agricultural work and on the standard of effort, Mr. Keatinge has much to say that is new and interesting. His examination of the effects of race, climate, physical environment, and social institutions is most instructive, and the passages which he quotes from Professor Huntingdon's book on "Climate and Civilisation" will be

heartily welcome to the advocates of the seasonal Mahabaleshwar migration.

The situation is much too intricate to be met by simple remedies. Mr. Keatinge's estimate of it is summed up in the following words: "The majority of farms are of the wrong size and the wrong shape; they are not permanent units and are not susceptible of orderly and adequate improvement. The majority of farmers are deficient in skill, industry and energy, and balance a low standard of endeavour by a low standard of living." He submits twelve suggestions, all of which deserve the careful attention of Government and of the public. His book represents the slowly matured conclusions of a reflective and observant mind in close and living contact with the facts on which it generalises. It is a stimulating book which indicates innumerable lines on which further specialised enquiries may be undertaken and it suggests many new avenues of rural regeneration. No student of economics or agriculture in Western India can afford to ignore it.

R. B. E.

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**Co-operation in Ireland.** By L. Smith-Gordon & C. O'Brien. (Co-operative Union, Holyoake House, Manchester.)

The reader of "Co-operation in Ireland" can hardly fail to be struck by the many features Ireland has in common with this Presidency. Both are primarily agricultural countries, in both holdings are in the main small, sometimes to the point of becoming uneconomic, and both possess badly educated or illiterate farmers, while the Indian Sowkar finds his counterpart in the Irish "Gombeen" man. On the other hand, two important points of contrast must not be overlooked. In Ireland the rainfall is assured, whereas in the above-Ghat tracts and northern Gujarat there is always a possibility of famine. Again, for many years past numerous joint stock banks have existed in rural Ireland whereas, in India, in the mofussil, banking facilities are almost unknown.

After these preliminary remarks it will perhaps be interesting to compare the lines upon which the problem of how to bring about the "better farming, better business and better living" postulated by Sir Horace Plunkett has been tackled in the two countries. In both, the progress of the movement has now been entrusted mainly to non-official enterprise, though in passing it may be mentioned that while in Ireland the initial impulse came from a non-official agency, in this country, as was only natural seeing that the co-operative movement in its present shape is a product of Western civilisation, it was left to Government to take the initiative.

Partly owing to the existence of joint stock banks, but chiefly with a view to resuscitating what might be called Ireland's staple industry, namely, butter-making, rural co-operative effort in that country was directed first towards the establishment of societies for the sale of butter which were generally known as creameries. Through the dogged perseverance of the pioneers of rural co-operation in Ireland, amongst whom Sir Horace Plunkett stands out as pre-eminent, the Irish farmer was at last induced to see that the co-operative creamery run on up-to-date lines and turning out clean and well-packed butter with a guarantee of purity could alone secure him a fair price for his milk and butter and ensure Irish butter its proper place in the English market. The success of these creameries gives rise to a consideration whether it is not possible to organise on similar lines in this country co-operative societies for the manufacture of Ghee in milk-producing tracts. In the large cities of this Presidency there must be a heavy demand for Ghee of a good quality among the richer classes, while it is certain that much of the Ghee sold in the bazaars to-day contains a very small proportion of butter fat. Co-operative creameries can give such a guarantee of purity and will discourage adulteration of milk by paying their members per seer of butter fat contained in their milk instead of for the quantity of milk brought by them.

Turning to agricultural societies, the writers assert that considerable success has been achieved in Ireland by societies for the hiring out of agricultural implements. This is of interest, because in this Presidency such societies have proved a comparative failure, a fact which is mainly due perhaps to the difficulty experienced in securing the services of efficient managing committees. It would seem that the provision of agricultural implements at a cheap rate by means of purchase in bulk by unions on the indent of societies is preferable to the system whereby a society hires out its implements to its members. An Indian farmer is not likely to treat with much respect implements which do not belong to him, whereas under the former system he will be enabled, if necessary, in partnership with another or others and after taking a loan from his credit society, to purchase them and as owner will have an incentive to look after them properly.

In Ireland, the needs of the agricultural societies, more properly designated as the writers point out, "societies for the purchase in common of agricultural necessities", led to the institution of the Irish Co-operative Agency Society through which purchases were made, while later on the Agency took new shape as the Irish Agricultural Wholesale Society, Limited, which keeps stocks of commodities required by societies. It will be remembered that an attempt was made to start a similar

agency for this Presidency. The attempt failed for various, reasons, which need not be discussed here, but it is probable that the need for some such central agency will be felt as this branch of the co-operative movement progresses.

Passing next to the rural credit movement in Ireland it seems that purely credit societies are showing signs of having outlived their usefulness, largely, the writers say, owing to the success of the movement in other directions. It is instructive to note that the writers lay stress on those very principles which stand most in need of observance in this Presidency. The importance of securing able and honest secretaries, the need for ensuring that loans should usually be given for productive purposes only and for avoiding the pernicious system of granting "renewals", that is, regranting the same amount of loan to the same applicant when it falls due—these are the essential principles which are perhaps even more in need of observance here than in Ireland. Moreover, failure on the part of societies to emphasise the importance of thrift is a shortcoming common alike to Ireland and Bombay.

The formation of miscellaneous types of societies, for instance, egg societies, poultry societies and weavers' societies, seems to have been attended with considerable success in Ireland. In Bombay, there would seem to be some possibility of successfully introducing the co-operative sale of eggs though it must not be forgotten that the prejudice which exists against traffic in this commodity will have to be encountered and overcome. Particular reference is made by the writers to the prospects of the weavers' societies which have succeeded in turning out a really high quality of home-spun. They note the importance which the encouragement of this cottage industry has in checking the migration of agricultural labour to the few centres of industry and the resultant overcrowding in the cities. The need for encouraging cottage industries in this Presidency, especially in districts like Ahmednagar which are liable to frequent and consecutive years of famine, is no less important. Some weavers' societies have already been founded and their progress will be watched with interest as their success may go far towards providing a solution for the problem of how to enable the agriculturist, in tracts where the profits of the soil are uncertain, to be more or less sure of an income sufficient to make both ends meet.

The writers conclude their interesting sketch with a description of the rise of industrial co-operation in Ireland. They trace the rise of the movement from the closing years of the 18th century through many vicissitudes to the year 1919, when, it is said, there were no fewer than 48 retail distributive co-operative societies with a trade of £ 1,834,516.

Most of these societies are, however, very small, while the giant of the movement is the Belfast Society with an annual trade of over a million pounds.

The writers are to be congratulated on producing such an interesting account of the growth of the co-operative movement in Ireland. "Co-operation in Ireland" is a book which can be thoroughly recommended as an instructive, no less than an entertaining, piece of reading for all interested in the progress of the co-operative movement in this Presidency.

H. F. B.

**Report of the Bengal Provincial Co-operative Conference, 1921.**

Time was when a co-operative assembly was presided over by the official head of a Province with a view to stimulate public interest and to increase its popularity by emphasizing the fact of Government's support to the movement in case of need. But the organization of such conferences has now rightly been taken over by the representatives of co-operative institutions themselves, and it is to be hoped therefore that Bengal will shortly follow in the footsteps of the two sister presidencies, Bombay and Madras, and entrust the holding of future conferences to the its propagandist and educational institution, the Bengal Co-operative Organization Society. Lord Ronaldshay, in opening the last provincial Conference, briefly alluded to the permanent retention of the Co-operative Department by the Secretary of State on the recommendation of the Local Government and the deputation of an officer to study co-operation in Europe, with a view specially to explore the possibilities of the development of a co-operative fleet of fishing traders as in England, though the fate of the experiment conducted somewhat on similar lines by the Director of Industries in Bombay should be a sufficient warning against entertaining any high hopes.

. After the delivery of the opening address the Hon. Nawab Sayad Nawab Ali Chaudhery, the Minister in charge of the Co-operative Department was voted to the chair. The chairman devoted the main portion of his address to emphasising the growing importance of co-operative societies in the political life of Bengal. Referring to the large number of distinguished gentlemen sitting in the Legislative Council and the Assembly in virtue of their work as co-operators, he pointed out the needlessness of forming co-operative societies into separate constituencies as some co-operators claimed. Through the proper exercise of the vote, and the formation of business-like habits of discussion which co-operative societies encouraged in their ordinary work, they were

laying the soundest foundation of self-government. The tranference of the control of the Co-operative Department to the elected Minister responsible for his actions to the legislature was, in his opinion, another step in the right direction. Concluding, he said that the grant of undue concessions by the State would be a fatal boon which would truly militate against and lay the axe at the very fundamental principles of self-help and self-reliance for which the movement stood and to foster which should be the aim of every co-operator true to his colour.

Many of the resolutions passed at the Conference were of a non-controversial character. But some were not. For instance, the Conference recommended that the awards of arbitrators should be enforced through the certificate procedure instead of having recourse to civil courts, and that the debts of a refractory member be made recoverable through the same procedure. It appears from the discussion that took place on these resolutions that neither the advocates of the special procedure nor their opponents seem to have realized the true significance of the type of concession they were pleading for or opposing. One of the arguments used by those in favour of the resolution was that the refractory members in co-operative societies did not deserve any leniency in the matter of recovery of their dues and that the summary procedure should therefore, be rightly set in operation against them as it was the only method societies could employ to bring defaulters to a sense of duty and that the latter were solely responsible for the exercise of special powers. It is obvious that the concession, if granted will do more harm than good. For it is the local Panchayat who are mainly responsible for a proper and careful selection of members, it is they who are entrusted with the dispensation of loans with circumspection and careful scrutiny into individual cases and it is they who must finally be responsible for recovery of loans issued on their recommendations. To entrust the work of recovery of loans in a co-operative society, which is out and out a democratic institution, to another agency unconcerned in the affair is to introduce the principle of division of responsibility and to put a premium on a careless selection of members and reckless advance of loans on the part of those responsible for the success or otherwise of the institution they are conducting. To approach the State for help in the matter of recovery, with its methods of force, is nothing short of a plain confession of all absence of moral power and force of association and is very negation of the fundamental maxim of co-operation that nothing should be done for co-operators which they themselves can do. The concession, if made, will therefore cut at the root of the very first principle of co-operative credit, namely, self-reliance. It is another matter, however, that the delay and inconvenience coupled with the tardiness of

proceedings in a Civil Court, involving as they do much expense, should be eschewed as far as possible and that end is well served by having recourse to arbitration proceedings.

Another of the resolutions passed at the Conference was that the Government of Bengal and the Bengal Improvement Trust should be requested to assist in the development of co-operative housing schemes, for the various communities, in and around Calcutta. The problem of housing the poor and the middle classes has been growing acuter day by day and it is high time that Bengal co-operators turned their attention to this crying need. The experience obtained in Bombay should afford a valuable lesson to Bengal co-operators who seem anxious to follow the Bombay model. In Bombay, the problem is far from being solved satisfactorily and in spite of cheap loans granted by the State, and the philanthropy of generous individuals, housing schemes have, unfortunately, not been as successful as could be desired. Even in the well-matured schemes, cheap loans alone are not sufficient as the absence of technical advice in building is a stumbling block in the way of progress. Many suffer not a little owing to want of expert supervision and absence of legal advice on the proper drafting of bye-laws. Unless the State is so charitably disposed towards co-operative enterprise as to place within reach technical help and advice and monetary help where needed, irrespective of the type of association, and unless help is forthcoming in all possible ways, direct or indirect, from the State, it is idle to expect the problem will be solved satisfactorily by co-operators.

One of the most important decisions of the Conference related to the recognition of the place of unions in the development of the movement. From the wording of the resolution and from the discussion that took place it appears that Bengal co-operators are not in favour of guaranteeing unions formed on the Burma model. What is advocated is a mere supervising union for purposes of writing up accounts, consultation and training, the expenses of such supervision being borne by the central bank to which the union may have affiliated itself. The work of supervision conducted at present by central banks through their own inspectorial staff was condemned as being both disappointing and inadequate, though the true significance of a guarantee union was not properly understood. For the object of a union, whether it be a guarantee union or a mere supervisory union, is primarily to exercise effective supervision over its constituents and if the union is to succeed in its object its supervision should neither be irresponsible nor vague as it is most likely to be the case in a mere supervisory union. What gives weight to this supervision is the fact that a Union should by virtue of its inspection recommend loans and be in a position to gauge the credit-worthiness



of its constituents and be empowered to suspend or curtail credits in case of need. If its recommendations are to be inspired by a sense of responsibility, a co-operative guarantee of loans recommended in the form of an ascertainable amount must be attached. Constituted thus, a guarantee union becomes an indispensable body if the ideal of decentralization is properly to be realized in practice. The supervision conducted by a union is useless if it has, as a result of control vested in it, no power of recommending or withholding loans and of bringing any defaulting member to his sense of duty by admonition and warning on the moral side and suspension of credit and stoppage of loans. In actual practice it follows that in order that this power should vest in a union, it must carry a certain amount of responsibility incidental to its business and that its sense of responsibility should be whetted and made keen by its being called upon to contribute to a certain and definite amount of liability in case its duties are neglected and its recommendations found reckless and irresponsible. What differentiates the work of supervision conducted by a union from that of a central bank is that the former is localized and as such is more reliable in fixing credit limits and more useful in stimulating the working of societies in the area. As the union develops, it would be immensely useful in propagating co-operative control, in stimulating the activities of office-bearers, in diffusing a knowledge of the right principles of co-operation, in securing adequate and prompt finance, in checking proper utilization of loans, and, above all, in evolving a type of rural co-operators that would, in course of time, prove the very backbone of the movement and among whose ranks Raiffeisens may still be born.

Once the need of a proper decentralization of supervision is felt by Bengal co-operators and once they set about their task in right earnest a type of union approaching the Burma model with modifications suited to local conditions may ultimately be evolved if at all its proper functions are understood. The correct line of action would, therefore, be to aim at a policy of development on the Burma model and with the addition from the outset of functions which may stimulate interest and increase their usefulness and efficiency.

Some of the other Resolutions of the Conference are deserving of notice. One recommended the formation of irrigation societies and urged the appointment of engineers for the purpose under the Co-operative Department. In order that large co-operative enterprises be successfully organized it is essential that technical advice and help should be freely forthcoming. In famine tracts and where facilities exist, co-operative irrigation societies are a blessing, and the resolution deserves the earnest attention of all.

co-operators. The Conference approved of steps being taken to see how far industrial co-operation will succeed and recommended that the State should help industrial societies on their educational side. It urged too that Government should indemnify central banks against losses to the extent of 25 per cent. of the advances made to co-operative industrial societies. A committee of experts was appointed to go through the question of co-operative sale of jute, the staple product of Bengal and to formulate a scheme whereby the jute industry can best be organized on a co-operative basis. The cotton industry in Bombay stands exactly on the same footing, and the experience of cotton sale societies in this Presidency would, therefore, afford much light to Bengal co-operators. In order to co-ordinate the activities of the Co-operative and Agricultural Departments and to avoid unnecessary waste of effort, the Conference recommended that the existing co-operative societies should be turned into agricultural associations in course of time. The very same object has been better accomplished in Bombay by the formation of Divisional Boards which are still in an experimental stage. However, Bengal co-operators will be well advised to see how far such boards answer their purpose. The Conference finally urged the establishment of a provincial central agency to arrange for the supply of materials to co-operative stores in the mofussil and the scheme projected is similar to the wholesale society in Bombay both in regard to its functions and objects. The latter has been unfortunately scrapped owing to certain differences of opinion between the promoters and the Department. And let us hope that the same fate may not await the Bengal experiment and that the Bengal co-operators will profit by the lesson of Bombay.

K. R. K.



#### Review of Agricultural Operations in India, 1920-21

An annual review of agricultural operations in India is issued every year by the Agricultural Adviser to the Government of India. The size and appearance of the book is as attractive as that of the other books issued from Pusa and the subject matter is so arranged as to facilitate easy reference to the different subjects treated in the Review. The style of writing is also such that even a layman will go through the book with interest. The Review gives a short account of what has been achieved in the various branches of the Agricultural Departments in India, and is, therefore, very valuable to all those who are interested in the problem of agricultural improvement in India.

To provide Indian agriculturists with crop varieties suitable for existing conditions is a very important problem. The chief advantage

Improvement in the line is that although considerable skill is required in the production and testing of improved strains, once they are established, propagation is simple and can be secured without any extra cost to the cultivator. In Bombay, some selected strains of Kolamba rice are expected to give 30 per cent. increased outturn. The Pusa wheat varieties have extended to all the wheat-growing provinces. The Pusa 4 variety of wheat is capable of producing a heavy crop without lodging. An important achievement in sugar-cane is the production of hybrids suited to North Bihar and parts of the Punjab. One hybrid has also early ripening quality and will, therefore, supply a long-felt want to the cane-growers and to the sugar factories in North Bihar. In total cotton production, India stands second to America, but her cotton is inferior both in quality and yield. The Agricultural Departments are, therefore, naturally aiming at removing these drawbacks. The Bombay Presidency, which is the most important cotton-growing province in India, has isolated pure strains of the Surat, the Kumpta and the Dharwar American cottons. In the Surat District alone, the increased value of the cotton crops grown from seed selected on the Surat Farm was estimated at Rs. 5 lakhs in 1920. There are similar improvements in other crops and work is being done to improve fodder crops and grasses also. Those that are sceptical about the work done by the Agricultural Departments will do well to ponder over these facts and think for themselves as to what benefits the cultivators are likely to get even when only this line of work is taken into consideration.

Investigations with regard to the improvement of soil, introduction of fertilisers, or the irradiation of diseases will necessarily be slow and the results will not be so tangible as in regard to the provision of improved seed. Even in this direction a good deal of work has been done, although there is much to be done yet. The public will be glad to know that a very difficult problem is being solved for the Bombay Deccan. Large tracts in the Deccan suffer from want of moisture in the soil and the Bombay Agricultural Department has taken in hand the investigations of the various measures necessary for maintaining a higher amount of water in the soil of dry areas. The work in connection with fertilisers seems to be rather of an indefinite character. Investigation of the diseases of plants is carried on, but extension of the work will be welcomed by the people.

Agricultural engineering is a very important branch of the activities of Agricultural Departments. At present, this branch is mainly concerned with the supply of water by taking borings. The increase of the supply of water is very important, but in addition this branch should take up the equally important task of securing improvements in agri-

cultural machines. The great defect in this branch seems to be that it engages mere engineers as officers while what is wanted is the appointment of men who have gone through some agricultural course, because it is these people only that will understand what improvements are likely to be useful. It is stated that in Bombay Mansfield's water-finder has proved very useful for locating water, and it is therefore natural that the agriculturists should expect that some permanent staff should be engaged to assist agriculturists in locating water with the aid of water-finders.

There seems to be a tendency to transfer pumping and boring to the Department of Industries. This is a bad policy. Water supply directly appeals to the cultivator, and if the improvements in crops, soils, &c., are to be made popular all possible subjects that will appeal direct to the cultivator must be retained with the Agricultural Department. The general impression of the people is that the Agricultural Department is to try some experiments and to give advice to agriculturists but that it has no power to give any direct help to the cultivator in such matters as irrigation, takavi, and so on. This impression hinders the propagandist efforts of the Department.

As is rightly observed in the Review the chief obstacle in the way of agricultural improvements is not the excessive conservatism of the cultivators but their lack of means. District work, hence, would naturally be a very difficult problem, but it is a matter for satisfaction that there is good progress in pushing ahead with district work. The co-operative movement is helping in its own way to further agricultural improvements.

Improving the breeds of cattle and keeping alive the existing cattle through periods of famine are being taken up by the Agricultural Departments in various provinces. The work done by the Bombay Department in the last famine in saving cattle is admirable and it will not be too much to ask Government to transfer, in future, all famine work to Agricultural Departments in order that it should be really useful.

Excepting the Poona Agricultural College, which has established its reputation, there seems to be no institution which attracts a large number of students for higher agricultural education. It is a pity that people do not yet understand the importance of this productive industry on which the life of the nation depends.

All the Agricultural Departments in India put together do not get even a crore of rupees and this is because the general public have not yet shown their keen interest in this industry. It is a matter for congratulation, therefore, to the Agricultural Departments that they make their influence felt despite the great difficulties that confront them.

D. L. S.

**Annual Report of the Department of Agriculture, Bombay Presidency, for 1920-21.  
(Poona, 1922).**

The Director of Agriculture rightly observes in the Report that "the one ultimate test of the success of an Agricultural Department and of the whole of its research, educational as well as other activities is whether the recommendations made are actually brought into practice and have resulted in an increase in the quantity or an improvement in the quality of the material produced." When this test is applied to the Bombay Agricultural Department one has to admit that it has achieved only partial success. Government Farms and Laboratories have shown excellent results with several of the new methods and appliances, but how many of these have been actually adopted by cultivators? The Director mentions some that have been generally adopted, but he has also to admit that a number of other improvements are that have "passed beyond the stage of improvement and need to be got into practice", and yet "the introduction of these matters into general use is very slow and in some cases seems to make far less progress than could be desired." If we look to the list of improvements that have been adopted by the Rayats it will be seen that although by nature the Rayats are "too isolated, too conservative, timid and suspicious", as Government remark in their Resolution reviewing this Report, they are not very slow to adopt a new method if they are convinced that any particular improvement is profitable to them under the conditions obtaining on their own farms. The Rayat has very little faith in the results obtained on the Government Farms, and he is not entirely to be blamed for this. It is for this reason that demonstrations on cultivators' fields are important, and it is satisfactory to observe that the Agricultural Department has realized the importance of this kind of propaganda. This propaganda, if to be really useful, ought to be conducted through the agency of the cultivators themselves, that is, through local agricultural associations and co-operative societies. It is gratifying to note that the Government have emphasized the importance of this in their Resolution. Not only will this accelerate the work of improvement, but it will enable the Agricultural Department to do more work at less cost, a matter of no small importance when such a big cut has been made in the Budget of the Department. The arrangements which have been recently projected for securing co-ordination between the Agricultural and Co-operative Departments should go a long way towards relieving the Agricultural Department of such work as the supply of pure seed or the maintenance of implement depots, activities which should really be undertaken by co-operative societies.

The Agricultural Department claims, and rightly claims, credit for the introduction and popularization of iron ploughs. But the growing popularity of these implements in some areas in the Deccan is mainly due to the efficient business organizations existing in these parts for the supply of iron ploughs and their spare parts at the very doors of the cultivators. A closer co-operation between firms like Kirloskars who have built up these organizations and the Agricultural and co-operative Departments will assist considerably in the introduction of other labour-saving implements, suited to the needs and conditions of agriculture in the various parts of the Presidency.

G. N. S.

**Call To India, England and the Empire or The Reconstruction of Indian Agriculture.**  
(Taraporewalla & Sons, Bombay, 3/6.)

Such is the long title given to a brochure of some thirty neatly printed pages issued by Mr. Khasherao Jadhav, Survey and Settlement Commissioner and Agricultural Advisor, Baroda Raj. Although the author states that his main object in submitting his solution of the agrarian problem of India is to draw away the masses from the non-co-operation movement, we find in the present publication opinions which people holding advanced or even 'extremist' views would readily approve. For instance, the author criticises the present land revenue system as nothing more, nothing less, than the exploitation pure and simple of the ignorant and poverty-stricken peasantry. The Government of India, he says, spend a large part of those revenues for keeping up the Army. At another place, he says, "they (the Government) depend on might. Might will never succeed long." Again, "force is futile as a remedy". In another place he observes, "the best ideal (for Government) to follow is to confer the status of Canada on British India and with it also on the important Indian States."

The author's observations on Indian agriculture, the adverse conditions against which the poor cultivator has to struggle, such as the smallness of the arable land per head, which is only an acre, the diminishing rainfall, the increasing assessments, the heavy rate of interest at which alone the ryot is able to command the necessary funds, the paucity and high prices of cattle, the ignorance and inability of the average ryot to adopt scientific methods of cultivation are lucidly set forth, which is natural considering that the author has made the subject his life study. His observations of conditions obtaining in other and more prosperous countries like Finland, Belgium, Japan, etc., and the lessons which they have for India are also worth perusal.

The remedies suggested by the author for the improvement of Indian agriculture are, in the main, two :--the introduction of machinery, such as tractors and water-lifts which the simple rural people can be taught to use and which can be easily repaired in the villages themselves, and the use of scientific manures. As regards the first, the author has, we are told, made arrangements for the manufacture and marketing of reliable tractors, and we are further told that a very satisfactory pump within the reach of the peasant is being perfected and placed on the market. As regards the second, the author makes mention of "Sulgine" manure, a post-war invention of a French scientist, the present cost of which, however, would be prohibitive for the average Indian ryot except perhaps for special crops like sugarcane. The author says that he has, as a result of investigations carried on under the patronage of the present enlightened ruler of Baroda, made arrangements for the manufacture and marketing of an efficient substitute at about a fourth of the cost of French "Sulgine". The rest of the publication is devoted to a scheme for establishing centres where these improvements are to be actually tried in India. The author is sanguine that tangible results will be perceived within the next ten years. The scheme, it is understood, will be worked by the newly-formed Shri Shivajee Agricultural Development Association, Ltd.

Messrs. Taraporewalla & Sons, Bombay, are the publishers (in India), and the price, 3 s. 6 d., probably is an indication that the publication is meant more for the investing public than for the general reader.

T. A. C.

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## EDITORIAL NOTES

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One of the most important resolutions of the last Provincial Co-operative Conference related to the appointment of a Committee consisting of the Registrar, the Vice-President of the Institute, the Chairman, the Bombay Central Co-operative Bank, Mr. V. L. Mehta, Mr. R. M. Sane, Rao Bahodur A. U. Malji, Rao Bahadur R. G. Naik and Khan Saheb Bhutto "to consider which of the non-statutory functions of the Registrar can be transferred to the non-official co-operative organizations and to make recommendations regarding the same." The main suggestion made in the note on the subject, on which the resolution of the Conference was based, was that no changes of policy should be binding on co-operators unless specifically agreed to by their representative institutions within the movement or such

Committee on  
Functions

cognate or component bodies to which deliberative powers had been delegated. Larger freedom of action and real initiative should, it was urged, be enjoyed by co-operative bodies, control should, as far as possible, be internal or by central bodies over affiliated institutions, and for adjustment of differences of opinion between various bodies the tendency to look to the Registrar as the final seat of authority and power should disappear. In addition, it was also suggested, that there should be a clear demarcation of functions and there should be definite transfer of non-statutory functions to co-operators themselves, who would exercise these through their representative bodies. It is necessary, in the first place, to examine what are the Registrar's statutory duties. Under the present Act, the Registrar has to receive, inquire into, and dispose of, applications for registration of societies, and has to register bye-laws or amendments to byelaws of societies. He is required to have the accounts audited and authorized to make formal inspections and to hold inquiries. He appoints arbitrators to settle disputes, and can cancel or dissolve societies and appoint liquidators. He permits, by general or special order, the grant of loans by one society to another and empowers societies with unlimited liability to make advances on the security of moveable property. He has to approve the names of banks or persons carrying on the business of banking with whom a society may deposit funds, and is authorized to sanction contributions to charitable purposes. There are also other matters which are left to the discretion of the Local Government under the Act, but the exercise of powers in regard to which the latter have delegated to the Registrar. Then there are powers vested in the Registrar according to the rules, which are, again, promulgated mainly on his own initiative. Under some of the rules, very wide authority is allowed to the Registrar. In regard to all these powers, the guiding policy of co-operators should be to see that even in the exercise of judicial functions, the Registrar's discretion is not wholly unfettered. When the Act is next amended specific provision should be made for the submission of appeals to a superior authority. In internal matters of co-operative administration, the final authority can be no other than the central representative body. But during the transitional stage, co-operators might agree to a tribunal of appeal which consists of the Minister-in-charge or the Secretary in the Department, and a representative, preferably the Vice-President, of the Institute. Appeals should be provided against decisions in regard to registration of societies, registration of bye-laws, awards of arbitrators, orders for dissolution and cancellation, and decrees of liquidators. The Act provides that dissolution may be ordered by the Registrar after enquiry or inspection, and as the abuse of this power involves serious consequences, previous approval of the co-operative financing and controlling authority concerned should be



a condition precedent to the order being made final. The wide powers granted under the rules should be with-drawn or modified. The powers of the Registrar under some of the rules can well be delegated either to the Institute or to the provincial and central banks, and guaranteeing unions or other supervising and controlling bodies. The powers relate to the calling for of periodical returns, the distribution of profits, the use of the reserve fund, and the prohibition of action relating to matters of political or religious controversy.

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Complaint has often been made about the arbitrariness of the present arrangement for classifying societies after audit. On the classification letter assigned by the auditor to a society depends to a large extent its credit-worthiness. This also regulates admissions to unions, the grant of maximum credits and the sanction of long term loans, privileges which are not enjoyed by societies not classed as A or B. It has been suggested by several rural co-operators that on being satisfied that a *prima facie* case exists for revision of the classification, the central bank or branch of the Institute to which a society is affiliated should, on its application, be permitted to move the Registrar to have the applicant society re-audited by an independent auditor at the society's own expense, and have the society re-classed if so recommended by the new auditor. It is also a matter for consideration whether instead of engaging a highly-paid full-time departmental staff for the audit of semi-commercial institutions, such as urban and central banks or large trading societies, the Registrar should grant certificates for audit to a number of qualified auditors and permit co-operative institutions to select their own auditors out of a panel published from year to year. Certificates should be issued to all qualified auditors and accountants on the lines on which the Auditor's Council issues certificates, and a standard form should be prescribed in which reports should be submitted to the institutions and to the Registrar and in which the balance sheets and other returns should be drawn up. Default in this respect should involve suspension of the license. A scale of maximum fees may also be prescribed. Authority in financial matters such as the fixing of deposit rates, regulation of areas from which deposits can be drawn, fixing of maximum liability which a society can incur, sanction of long term loans, permission to exceed limits fixed in the bye-laws for short and long term loans, authorization of loans on mortgage security whether of moveable or immoveable property, approval of loans one by society to another society, approval of outside investments, defining of areas of operations, and the raising of limits for loans to individuals are matters which must be delegated more and more to co-operative institutions themselves. Unions

Audit and Financial Control

or federations will regulate the working of affiliated primary societies, central banks of primary societies and unions affiliated to them, and the Provincial Bank of the central banks, unions, and societies affiliated to it. Decisions should be called in question, if necessary, at general meetings of the Institute, and its Branches asked to arbitrate on the application of the aggrieved party and if necessary recommend disciplinary action to the superior co-operative authority and the Registrar, when recalcitrancy is shown. The revision of the rules and bye-laws, as well as the Act, should be undertaken on the lines suggested, in consultation with the Institution. In future, the drafting of model bye-laws should be undertaken by the Institute and the large rule-making power which the Local Government enjoys should not be used save in consultation with it. Changes in bye-laws proposed by co-operative societies should be accepted by the Registrar unless they conflict with any basic principle or recognized practice of the co-operative movement. If the Registrar's interpretation of any bye-laws is called into question by the Institute or a registered society, legal opinion should be sought, preferably through the Institute. The devolution of authority proposed will reduce the importance attached to departmental circulars which are often looked upon as a mandatory. The Registrar's circulars should be looked upon as mandatory only when they relate to the statutory functions vested in him under the Act. Quarterly financial statements are at present submitted to the Registrar by central and urban banks. The practice should gradually grow up for these and other returns to be submitted for advice and guidance to the co-operative institutions in the higher grades and for publicity and information to the Institute.

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Another important matter is the appointment of honorary organizers.

**Position of  
Honorary Orga-  
nizers**

As a non-official organ, this journal would be last to depreciate the value of voluntary non-official effort, and to fail to recognize the large share contributed by honorary organizers in bringing the movement to its present position. But it is being felt more and more that unconnected as the organizers are with the movement in any responsible or representative capacity, the system of organization and supervision through "honorary adjuncts of the Department" must yield place, as the movement develops, to an arrangement under which all workers in the field are the representatives and nominees of co-operators themselves and are responsible to co-operative institutions for their work. As in various other provinces, where the functions of organization and supervision are delegated to central banks, federation and unions, all organizers and supervisors will, according to their status and inclina-

tions, work under the auspices of these bodies, either in the capacity of honorary office-bearers such as directors, drawing travelling allowances and other actual expenses, or well-paid supervisors and inspectors. Subventions by Government, not exceeding the expenses of honorary organizers, should be available to all newly-started banks, federations or unions. In undeveloped areas, where these bodies are not in existence, work should be carried on through the Divisional Branch of the Institute. To all such Divisional Branches grants should be made up to the limits of the present scale of expenditure on honorary organizers for general or special propaganda and for furtherance of co-operative education in rural areas. Thus all organisation and supervision, propaganda and education will be brought under the control of co-operative institutions themselves, and all non-official effort co-ordinated and organically connected with the movement.

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The last important matter is the control of policy. Latterly, in this Presidency, the practice has grown up of non-officials being occasionally consulted when changes in policy are proposed to be effected. But such changes are ultimately the decisions of an individual officer and not of representative co-operators acting together. The result is that there is a lack of clear thinking and an absence of any feeling of responsibility among co-operative workers. Instead of bestowing considered thought on co-operative problems, many are inclined to let matters drift and there is no sense of any ordered growth of the movement. This affects adversely the development of the movement and its evolution on healthy, well-defined lines. It tends to foster the view that the movement depends for its sound growth on the Registrar, who is its sole guide, friend, and philosopher, and instead of training experts among co-operative workers themselves it perpetuates control by the Registrar as "the expert". Decisions on matters of policy should be the decisions of co-operators themselves, and though the Registrar is bound to offer advice in virtue of his responsibility for carrying out the purposes of the Co-operative Societies' Act, his own position should become analogous to that of the Registrar of Joint Stock Companies. Large questions of policy should be discussed and settled at the conferences which should become the periodical congresses of the co-operative organization in the Presidency. Changes in policy should not be adopted hastily, but a convention should grow up demanding the discussions of proposals first in local Taluka or district conferences, then in the linguistic divisional conferences, and, finally, in the provincial congress. The local sub-branches of the Institute, and the divisional branches or the Central Institute can take initiative in the matter, collect facts and

figures, collate information and appoint committees of inquiry. Just as the newly-created divisional boards of co-operation and agriculture will assist the Agricultural and Co-operative Department in certain defined spheres of activity, the Divisional Branches of the Institute should act as advisory boards for the Divisional Assistant Registrars and each of them should appoint a small committee, which can be assembled without difficulty, to meet periodically for advice and consultation in matters of administration on the lines proposed by Mr. Rothfeld at the Provincial Conference for 1920. A similar Committee might be constituted at the Central Institute, and this should form the business board whose creation Mr. Rothfeld urged as necessary to assist the Registrar in the discharge of his executive and administrative functions. Definite duties should be assigned to this Board, and periodical meetings convened to which should be invited, when necessary, the Directors of Agriculture and Industries and the non-official member of the Bombay Legislative Council nominated as Council Secretary for the Department of Co-operation. These suggestions are not animated by any desire to grab power, nor do they emanate out of an academic anxiety to free the movement from external control. But these changes are essential if the movement is to grow. Its needs are both men and money. To attract these it is necessary to place the organization on a truly popular, national basis. The general public must be convinced that national ideals inspire the movement and that its direction rests in the hands of the best among the leaders of men and thought in the rural and urban parts of the Presidency. To secure these ends no mere tinkering with the extensive powers of the Registrar will suffice. There should be a real change in the spirit of the administration, for it is only when the co-operative commonwealth in the Presidency becomes a self-governing and independent organism that it will constitute a living force in its social, political and economic life.

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In the last issue of this journal, an account was given of the results achieved by the co-operative societies started in the Punjab with the object of consolidating holdings and repartitioning them on a purely voluntary basis. In Japan, action on these lines is enforced by law and agriculturists may be compelled to give up possession and agree to a scheme of resettlement decided upon by a prescribed number of landholders affected by the proposals. The only defect in the scheme of co-operative consolidation which, according to the late Registrar, Mr. Calvert, has encountered little or no opposition and has met with striking success, is that it makes no provision for counteracting the effects of the Hindu law of inheritance and checking sub-division among the heirs of a deceased member who

**Subdivision of Holdings**

has had his lands consolidated in a compact block as a result of the operations of the society. It is to the solution of this problem that the Hon. Mr. Chunilal Mehta directed attention, in his address at the Karnatak Divisional Conference held at Belgaum in the middle of April. The agricultural holding never remains constant and it is subjected to a process of division and sub-division from generation to generation. This renders impossible the undertaking of schemes of agricultural improvement, prevents to the erection of walls or fences against wild animals and pests, and makes it difficult for the work of levelling or bunding fields with the object of using rain water to the best possible advantage. It has often been suggested that the law should prescribe that sub-division of land would not be allowed to proceed beyond a limit which makes cultivation uneconomic. This postulates agreement about the size of an economic holding and to determine this size for various tracts the Hon. Mr. Mehta suggests the creation of an expert board. The next step is to lay down that for partitions which involve sub-division of land into uneconomic units, the procedure should be to leave to the heirs to agree amongst themselves as to which of them will hold the land, the others accepting their share of the family property in cash. It will be difficult to alter the law of inheritance so as to make primogeniture the rule of succession. The Hon. Mr. Mehta also ruled out the suggestion that the land should be put to auction among the heirs on the ground that this might tend to raise artificially the value of land to be transferred. He proposed that a committee should be constituted in each village consisting of the leading people and a few Government officials to fix the value of the land. The land should then go to one of the heirs by mutual agreement, and failing that to the eldest son at the rate fixed by the committee. To the other heirs compensation in cash need not be given in a lump sum, but might be made payable in instalments covering a moiety of the principal and the interest on the whole of the share. If, however, co-operative credit societies can finance the new holders on the security of their lands, the co-sharers can get their part of his family property without delay. Under the arrangement proposed, it is true that a certain number of people will be deprived of land, but Mr. Chunilal Mehta urged in reply that at any rate it will prevent all the sons of a deceased land-holder cultivating land on an uneconomic basis which will in course of time result with certainty in all being dispossessed of the entire family property. Despite this, it may be pointed out that the proposed course of action is bound to be unpopular, until alternative sources of employment are devised and cottage and other industries organized. What the man from the country now feels is that the land is his only possible source of income, as an independent worker, and to

the land he must stick whether or not he earns a living out of it or goes on piling up his burden of indebtedness. Hence before the constructive part of the new policy is brought into effect, it is essential that public opinion in villages should be educated into the evils of sub-division and the methods of eliminating the evil. In this work, co-operative institutions have an important role to perform, bringing moral pressure to bear on members when schemes of partition have to be carried out and actively promoting the educational propaganda which the State or public bodies may initiate.

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Hand-spinning and hand-weaving, concerned as they are with the most elementary needs of man, provided the two chief cottage industries for the country-side until modern times. It has been proved from official records that during the early years of the last century devices of all kinds were employed to put down the hand-loom industry, but as Mr. Chunilal Mehta observed in his address at Belgaum history does not record any attempts at suppression of the hand-spinning industry. If hand-spinning has disappeared, it is, according to him, due solely to the effects of economic pressure. The present position is that while still a fourth of the total consumption of cloth in India is manufactured on hand-looms, the Charka was, until its recent revival, dying out. Hand-spun yarn was degenerating in quality and was being used for production of the coarsest varieties of cloth. Hand-loom weavers preferred mill yarn because of its regular supply, the assured market for finished products and its ability to stand the process of manufacture. Basing his line of argument on these facts, Mr. Mehta drew the conclusion that national energies should be directed not so much to the introduction of hand spinning on an uneconomic basis, as to the development of the hand-loom industry on an organized and financially sound basis. To this end, he proposed the opening of central stores or unions which will not only buy yarn for the weaver but will obtain for him the best yarn in the market, whether hand-spun or mill-made, and will take over the finished products for sale on a co-operative basis. This body will also act as an intermediary for obtaining financial facilities, will devote attention to the improvement of processes and of tools and implements, and will carry on an educative propaganda among communities of weavers so as to improve their social status and economic position. Organizations of this type have been for some time past at work in Bengal, Bihar and the Punjab, and lately a central stores for weavers was started in Sholapur. Undoubtedly, no efforts should be spared to revive this ancient industry

and to organize it on co-operative lines, providing as this does the only basis on which individual craftsmen can withstand the competition of machinery and of the modern industrial system. But this should not denote any neglect of the problem of the allied industry of hand-spinning, which until recent days provided the chief occupation for persons with leisure. Hand-spinning is an interesting pursuit, it can be developed into a craft, it may even afford our age a way of escaping from the thralldom of the machine and the industrial system of society. On the present economic basis it may not provide remunerative employment, nor can its pursuit be suggested as a full-time occupation for adults to whom other sources of employment are open. But as a source of additional income for agriculturists in the off-season—particularly in the dry zones of the country or areas growing one short crop—as a measure of famine relief, and as a craft for town-dwellers enjoying some leisure the Charka seems to have a value of its own. It is a recognition of this value, a realization that not mere production but creation is the end of life, a perception of values other than those measured by the economics of the modern acquisitive society, that has raised the cult of the Charka into a national creed, and has even invested it with a spiritual halo. Co-operators, while recognizing the obvious limitations and defects of this new movement, should, in view of their own aims and ideals, therefore, be the last to depreciate or decry this phase of the recent national awakening.

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Lastly, Mr. Chuni Lal Mehta dealt with the important problem of organizing the work of rural reconstruction in all its aspects. To two of these aspects reference has been made in the preceding notes. Other aspects of this task, such as the development of rural banking, or the organization of joint supply and marketing, will occur to co-operative workers. There are again various other branches of reconstruction which lie neglected because of inertia or apathy, or for want of a reasonable local organization which will push things through. In his admirable studies of a Deccan village, Dr. Mann has drawn pointed attention to the condition of affairs in rural areas under which it seems nobody's business to attend to and assist cultivators in getting over small difficulties such as the maintenance of a *pat* or the construction and repair of wells. The erection of pumping plants on beds of rivers, the digging of channels, the bunding and levelling of pit fields, the raising of walls and fences to afford protection against wild animals, the conservation of the scanty rainfall in tracts liable to famine by simple methods of dry farming, the distribution of insecticides and pest-

Rural Recon-  
struction

killers are other matters which can be attended to properly if a genuine communal spirit is created in rural areas, operating through responsible local organizations. What is needed is not costly centralized establishments but the stimulation of local initiative, the encouragement of local workers, and the promotion among villagers of a sense of self-help and reliance. Japan has 10,000 of these rural organizations and has as a result succeeded in effecting considerable improvements in its rural conditions. The experience of other countries is also the same. We have already created an organization at the top, the divisional branches of the Institute and the Divisional Boards of Agriculture and Co-operation. It is the duty of these bodies, the Hon. Mr. Mehta urged, actively to promote the starting of taluka associations and village development committees whose object it will be to assist in the task of rural reconstruction. These bodies are to consist of cultivators, whether connected with co-operative societies or not, with a few outsiders such as representatives of local branches of the Institute, co-operated to secure co-ordination of activities. Mr. Mehta declared that Government would be prepared to grant financial assistance to these bodies equal in amount to their local collections up to a maximum of Rs. 1,000 per year. The only condition governing the grants would be that the committees should appoint paid secretary or travelling organizers whose duty it should be to study the problems of the tract, and to assist in the actual programme of reconstruction adopted. If so desired, Government would also be prepared to lend the services of experienced demonstrators or fieldsmen.

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The Bengal Co-operative Organization Society had at the close of the year 1921 a membership of 937, of whom only 87 were individuals. This is indeed a very small number, and if the Society is desirous of extending its propaganda and enlisting the active support of the intelligentsia and the well-to-do classes in the spread of the movement, its first concern should be to increase the number of individual members, thus widening the range of its public influence and tapping private wealth for the propagation of a popular movement. The Society is in receipt of a grant of about three thousand from Government, of which two thousand are intended for the Society's English organ, the "Bengal, Bihar and Orissa Co-operative Journal". The grant covers the entire expenses of the magazine. There is, also, a Bengali journal published by the Society, which is supplied free of charge to the affiliated societies. 200 copies, it is interesting to note, are subscribed for by the Director of Public Instruction for distribution in schools, and negotiations were opened

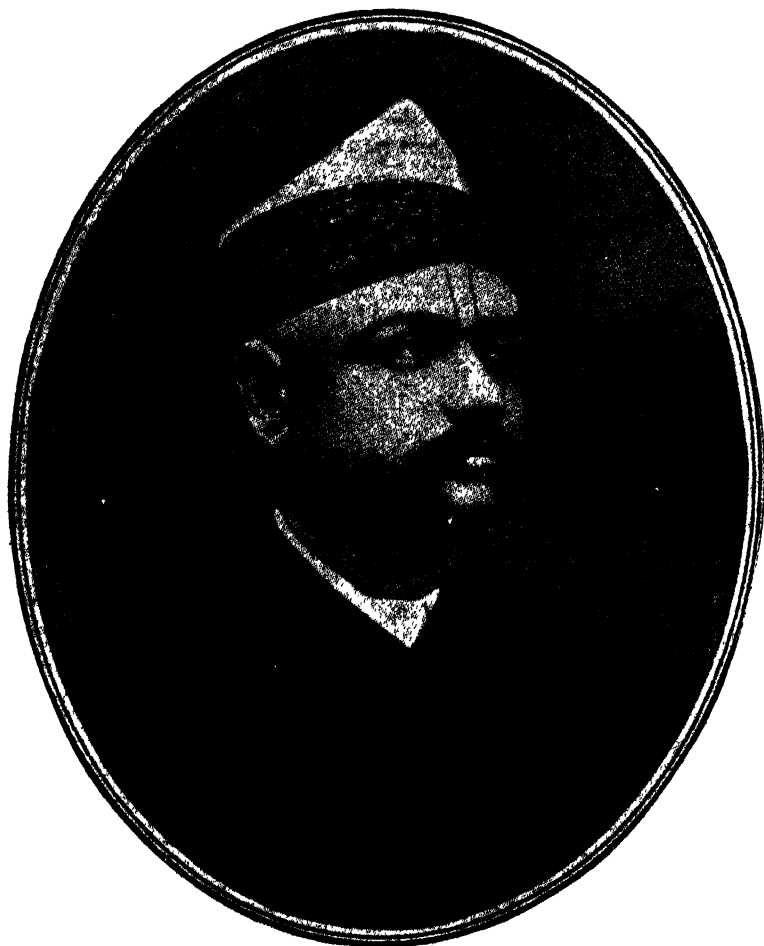


system of administration should be decentralized, and that local Panchayats should be entrusted with the task of looking after the supply of water, and of enforcing disciplinary measures wherever a group of irrigators served by a particular distributary can be found to assume responsibility for efficient control and supervision. Tentative efforts have been made to constitute local Panchayat for some time past, but to ensure their working on a systematic and responsible basis, it is necessary to invest these panchayats with definite powers, function and responsibilities and to give them a legal status as corporate bodies. It is interesting to find that, with the approval of the authorities of the Irrigation Department, a beginning has recently been made in this latter direction on the Pravara Left Bank Canal. A co-operative irrigation society has been formed, consisting mainly of the members of the two neighbouring credit societies, and this society has been entrusted with the internal distribution of water on two outlets of a distributary of the main canal. The society will, through its committee, gradually take over the control of the distribution of water and the sanctioning of individual areas from the subordinates of the Irrigation Department. The committee will receive applications from individual irrigators for allotment of areas to various crops, and dispose of these under conditions prescribed by the Department. It will be responsible for seeing that canal rules are strictly observed and will levy fines on the fixed scale for wastage or unauthorized use of water. The maintenance and repairs of the water courses and masonry work will remain in charge of the society, and it will have to bear the charges for repairs executed on its behalf. The filling in of dates of waterings in pass-books, and the examination of bunds in fields, both constant sources of complaint, will be undertaken by the society, and the society will also be allowed to have an additional supply of water if it is found to have been efficient in the management of the supply sanctioned for the season. It is the object of the promoters not to confine the operations of the society to the work of supervising the distribution of water and the upkeep of the outlet channels. It is proposed to use its agency in introducing improved methods of farming, the cultivation of fodder crops, and such other measures as will enable the irrigators to take the utmost advantage of the facilities for supply of water made available to them, with a view to increase production and to add to their resources.

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## **A PIONEER CO-OPERATOR.**



**SIR VITHALDAS D. THACKERSEY, Kt.**

**Who died on August 12 last after a brief illness.**

# THE BOMBAY CO-OPERATIVE QUARTERLY

## SEPTEMBER 1922

### THE CO-OPERATIVE MOVEMENT IN HUNGARY

In viewing co-operation as it now exists in Hungary I had no intention of making an elaborate study of its operations and results. My motives and purposes were simpler. I had, to begin with, a personal inducement to visit co-operative institutions in that country. This was the fact that the first time I had ever heard of the co-operative movement in general and agricultural co-operation in particular was 28 years ago from the lips of Count Alexander Karolyi, a personal friend of my family and myself, one of the greatest and most respected figures in Hungarian history and politics, and the promoter and founder of the vigorous co-operative movement which in the years that have elapsed has largely transformed the agricultural conditions of the country and the well-being of the cultivating classes. I still remember the enthusiasm with which the gentleman spoke to me, at that time little more than a boy, of the projects which he held in his head and which he was forcing upon the Parliament of his country. In addition to this personal interest I had two practical purposes in view. I knew that in certain respects social and economic conditions in Hungary resembled many of those with which we are faced in India, and I wanted in particular to see how Hungary had met the difficulty of controlling, while encouraging, the autonomous associations, for economic purposes, of peasants who are usually backward and often illiterate. In this Presidency we have been met by a difficulty of pre-eminent practical importance which had at first hardly been foreseen and which at this stage is impeding, to an undesirable extent, the rapid and needed development of a great movement. We had theoretically worked on the assumption that each co-operative society could be trusted to manage its own affairs. We had hoped that in self-management they would find all the necessary qualities of moral integrity, thrift, reliability, and business capacity. We had held these hopes although we knew that the vast majority of the members must be illiterate and were wanting in any tradition of reliable business

method. The result is that at the present moment co-operative finance is burdened with a heavy and depressing load of overdue debts unpaid, that many societies have each year to be cancelled for serious moral and business faults, and that the movement has barely extended beyond the elementary stage of credit operations. At the top we have in our central banks more money than we can use in the existing societies with the existing methods of work and credit-worthiness. In one bank alone nearly thirty lakhs are lying unused and have to be reinvested disadvantageously in joint-stock banks. At the same time we know that even in the societies already existing the members do as a fact require, for the proper cultivation of their land, more funds than they are being given, while it is obvious that the number of societies and their members is far smaller than the needs of the country require and than the development of the movement in other respects would justify. But, in the absence of efficient supervision and control, the difficulty appears inextricable and a further extension, either in number or in size, of credits appears impossible until the village societies are strengthened and restrained by instruction and superior management. In some parts of India it is thought to overcome the difficulty by the multiplication of Government officials, mostly of subordinate rank. In this Presidency, rightly I think, we have set our faces against such a method and are seeking to find the necessary control and supervision through non-official institutions. My first purpose, therefore, was to see how the similar difficulty had been met in Hungary and to ascertain whether any guidance for this Presidency could be found in the Hungarian system. Secondly, I knew that a good deal had been accomplished in Hungary for non-credit agricultural work, and especially for collective marketing of agricultural produce. So far in India non-credit work has been, I will not say a failure, but certainly not a success, and even such successes as we have been able to achieve in this Presidency in the way of collective marketing for cotton or molasses were not wholly satisfying in relation to principle and system. My second purpose was, therefore, to endeavour to find in Hungarian methods some suggestions for improvement in our own non-credit work. The following remarks are, therefore, directed towards these purposes and do not in any way profess to contain material for any profounder or less immediately purposed enquiry.

In any country, the co-operative movement has, of course, to adopt itself to the actual social and economic facts of cultivation. Now in Hungary, as it was before the War, land was held either in large estates by a few noblemen or in small holdings owned by peasants. The middle-sized occupancy was more and more being crushed out of existence by tendencies which had prevailed for nearly a century. More than half

of the occupancies in the country were under five acres each, but their total acreage amounted only to a little over 1/20th of the cultivable land. Almost half of Hungary, on the other hand, was divided among holdings less in number than one per cent. of the total number of occupancies in the country, and one-third of the country was owned in estates numbering less than 1/500th part of the total number of the occupancies. Practically, therefore, it will be seen that half the country was in the hands of few rich noblemen. On the one hand, slightly less than half was also held by peasants who occupied between 5 and 100 acres. Middle-sized farms or estates accounted for about 1/7th of the total land in the country and half the cultivators owned only 1/20th. On the other hand, the nobility took a fine collective part in all the life of the country and were marked by qualities of patriotism and energy which are unusual in such a class in any other country. The first problem of co-operation, therefore, was to make agriculture profitable for the small holder to try to enable him to buy more land from the big estates of the nobility, and to associate in this task the friendly help and active assistance of the nobility themselves. Again, geographically, before the War, Hungary consisted of one vast circular alluvial plain richly fertile where it could be cultivated, but in many places exposed to floods, water-logged with undrained morasses, and with imperfect communications. The plain was encircled by mountain ranges broadening in Transylvania into a hilly province. These ranges contain the forests and the mines and minerals which gave Hungary its natural wealth. Almost in the centre of the Hungarian plain lay the capital of Budapest, a commercial centre where all the credit of the country tended to gather. In the districts there were towns and the towns were mainly market-places of the type of over-grown villages. The professional classes were few in the country towns. Country gentlemen hardly lived there and the businessmen tended to be of the class of small usurer or petty trader rather than of the enlightened business man. The Saxon towns in Transylvania were an exception, but they were cut off from the rest of the life of the nation by language as well as by tradition. These were the circumstances of Hungary as it was.

The first co-operative attempt in a country so situated was made in the year 1851 by the foundation of a small credit society in a country village. From this pioneer society the movement gradually spread in other isolated cases until in 1885 there were actually in existence some 400 societies. These societies were registered under the ordinary commercial law of the country and for a long time were looked on rather askance by the governing classes. They continued to work in isolation and did not do much for the general progress of the country, though they

did a great deal by gradually spreading the idea of co-operation. It was in 1886, on a proposal of Count Alexander Karolyi, that the first greater development took place. In that year under that gentleman's pressure, the local authorities of the Country of Pest resolved to organize a district association for credit on Raiffeisen lines. The district association was rapidly successful and created an effect throughout the county. Gradually, the association itself extended its sphere of operation over other parts of Hungary, especially in Transylvania. In Transylvania, however, the societies were formed on a pure Raiffeisen basis with unlimited liability and tended to remain aloof from the central association. In 1898 the Parliament of Hungary passed the first co-operative law, which it has since retained. The essential part of the law was the creation of a Central Institute for co-operative credit. It was intended definitely that this Central Institute, which should be at once a co-operative bank and also an organizing and supervising body, should control all the credit societies of Hungary. As, however, several hundred societies were by this time already in existence, the Parliament decided that their adherence to the new Institute should not be made compulsory by law but be left to their own free choice. To aid them, however, in choosing affiliation, the Parliament gave many privileges to the Institute and the societies affiliated to it, which were denied to all other societies. Gradually, therefore, even existing societies tended to affiliate themselves to the Central Institute, while all newly-created societies were naturally organized by its means and affiliated to it from the beginning. At the present moment, therefore, the number of societies existing in Hungary which are not under the control of the Central Institute is indeed small.

In founding the Institute recourse was had to a practice which had already become frequent in Hungary in the case of other institutions. The first capital, that is to say, was raised by having two classes of shares, one of them of what in Hungary are called foundation shares or, as we might say, sympathisers' shares. These are shares subscribed by Government, by local bodies, by the King himself, and by various noblemen and gentlemen who sympathize with the movement and wish to help it. In addition, each society affiliating itself to the Institute was bound to take up shares in the proportion of not less than one share of 100 to every 1,500 of working capital. Provision is also made for the gradual extinction, if desired, of foundation shares. The law recognizes no institution intermediate between the primary society and the Central Institute. This is indeed a distinguishing feature of the Hungarian resource movement, and it is a feature which, it will be readily recognized, was forced upon the country by the geographical and social

circumstances already mentioned. There were no local centres, as we possess in so many districts in this Presidency, where comparatively rich and enlightened men could be found ready to subscribe to local banks and to provide fairly efficient management for a district institution. The rich nobility could be attacked for subscriptions in Budapest and in Budapest alone, and it was in that city also that they could help in the management of such an Institute. Money again might be obtained in the villages from the smaller nobility and proprietors as well as from the peasants. But between the two, there seemed little to be gained from the foundation of any intermediate banking agencies. The whole scheme of co-operation, therefore, begins with the conception of a central bank at the centre of Hungary dealing direct with the primary societies scattered throughout the country. The problem which had to be solved is, therefore, one analogous to the problem with which we are faced in this Presidency in those districts and those districts only in which a district bank appears to be unattainable and where the isolated societies have to be financed and guided by the central institution in Bombay. In a way, however, the problem is far easier in Hungary. For the last 25 years, Hungary has had the best and cheapest railway service in Europe, whereas in India, as we all know, in railway administration a deep slumber is still bolstered up by privilege. Secondly, the distance from Budapest to the remotest village is comparatively short and the travel easy when compared to the difficulties that face a journey from Bombay to Kanara or even to the western talukas of Ahmedabad District. Further, the post office in Hungary has been developed to the utmost extent and the transmission of money by postal cheque in particular is extraordinarily cheap, efficient, and punctual. The slow and expensive methods of transmission by money order in India, especially to the many villages which possess a society but no post office, are unheard of in modern Hungary.

In this Presidency, some attempt to meet the difficulties of supervision and control from Bombay over societies in remote districts has been made by the experimental measure of the guaranteeing union without any very great success. In Hungary, the same difficulty has been dealt with by the institution of agents or representatives of the Bank in various parts of the country. These are really officials of the Central Institute appointed to a definite area in which they are responsible for the guidance, control and auditing of existing societies and the organization of new ones. They are grouped in nine agencies, but in each agency there are several Inspectors. Every society has to be inspected at least once a quarter, and the control is as rigid as the independent character of the people will permit. Inspection without



legal power, however, as we know by experience in this country, is apt to be useless, even when it is backed by the threat of withdrawing credit. In Hungary, the law has given definite power to the Central Institute and its agents. To start with, under section 2 of Act XXIII of 1898, no society can be registered except with the concurrence of the Credit Institute or, nominally, of some similar institute. In practice, it is only the Credit Institute which registers societies. This means, of course, that the bye-laws of the society have to be such as are approved by the Institute and secure sufficient control to the Institute and its officials. Again, under section 56, the Central Institute can nominate a representative on the managing committee of every affiliated society and under section 57 it has a right of supervision and control over all the business management of the affiliated societies. In exercise of this power it can suspend either the whole managing committee or any member of the managing committee of such a society. All societies must be share-holders in the Central Institute in the proportion mentioned above. No bye-laws can be amended without the approval of the Central Institute which, in fact, undertakes the duties fulfilled in this country by the Registrar. No loans can be taken by any society from any other person except with the approval of the Central Institute, and the Central Institute again is the body which orders and conducts liquidations. It has also got a prior charge upon all property belonging to the society and its members. It will be seen, therefore, that the inspections conducted by the Central Institute have ample powers behind them and they are, as a matter of fact, thoroughly effective. Whether this control exercised by paid officials of the Central Institute is in all respects healthy and does not lead to abuse is a different question to which no reply could be given without much ampler local experience than I possess. At the same time, it must be remembered that the character of the Hungarian people is one of almost excessive independence and it is in my opinion improbable that any abuses could be practised without their coming to light at once and without swift punishment following.

The Central Institute indeed prides itself on the fact that while maintaining this strict control over societies for the good of the movement as a whole, it still arouses and even encourages in societies the autonomous management of their own affairs which is desirable. As far as my own limited experience went, this certainly appears to be the case. I have elsewhere pointed out how in France in spite of all its developed civilization, education, and commercial training, the primary society tended to be altogether swamped and emasculated by the methods followed in that country in seeking to avoid the common difficulty of allowing a

peasantry to manage their own banking affairs. In Hungary, the primary society is far from being swamped. It remains a vigorous and, as far as I could judge, a sufficiently independent institution. It is true that what I saw was in the neighbourhood of Budapest with an energetic and enlightened population. But it is after all fair to judge the system where it is working at its best and not at its worst level. Now an actual primary society organized by and affiliated to the Central Institute is organized on the following plan. To start with, its liability is limited and it is founded on a so-called share system. The shares correspond in reality to our fixed deposits and need not be paid up in full at the moment of subscription. They are withdrawable at six months' notice. They receive no fixed interest but a dividend is paid according to the number of shares held by each member up to a limit of 5 per cent., and only after the net profits have been arrived at, a deduction of 10 per cent. of the profits being first paid to the reserve fund. Each member, however, assumes a liability of five times the nominal value of his shares. We have, therefore, a compromise between strictly limited and unlimited liability. Societies may also take what we call fixed deposits but in practice very seldom do so. What, however, they have developed to an enormous extent is the system of current accounts or savings bank deposits. In this respect, Hungary is, I do not like to say how far, ahead of this Presidency, and the greatest proportion of the funds of societies is formed by these savings bank accounts. In the year 1913, the last year before the War in which money, expressed in Hungarian currency, had still a definite meaning, there were 2,425 village societies with nearly 7,00,000 members, a share capital of three crores, and a current account capital of eight crores, with reserve funds of eighty lakhs. It can be seen at once what a vast strengthening of capital within the co-operative movement is effected, with what convenience to depositors, by the use of current accounts or savings bank accounts in village societies. It is so obvious that the peasant cannot possibly afford to tie up his savings at the harvest time in a fixed deposit from which he cannot draw when he needs his money for sowing and ploughing. Give him this facility and you would at once assist him to be thrifty and secure the expansion of capital within the movement. In no other respect has Hungary so great a lesson for this Presidency as in the rapid expansion of its current account work in village societies, an expansion which puts to shame the slow progress made in this respect by our societies. Where, however, our societies compare favourably to those in Hungary is in the institution of cash credit to their members. It is true that even here those cash credits exist in practice far too rarely, but still they do exist and work on a principle which has been accepted. In Hungary, however, each loan has to be sanctioned separately on its own merits. An objection

that will of course readily be raised to the use of current accounts in villages is the difficulty for a village society to arrange for fluid resource. This difficulty under any system would be considerable in this Presidency owing to the deficiencies in the means for transmitting money. In Hungary happily the difficulty does not arise. The Central Institute has taken it upon its own shoulders to arrange for the fluid resource of all village societies, strictly controlled as they are by its own officials. In practice, in Hungary there has been no difficulty. The village society is open only once a week and notice of the withdrawal from current account is always given at least a week ahead. During that time the village society can easily arrange for the transmission of the necessary funds from the Central Institute to its own post office or, if there be in the neighbourhood a joint stock bank, arrangements are made for the society to draw against the Institute through the medium of that bank. As a matter of fact, societies keep no money on hand at all except a few small sums, somewhat of the nature of contingent funds for immediate use. All money as it is received is at once transmitted through the post office or a neighbouring joint-stock bank to the Central Institute, and, similarly, money is drawn from the Central Institute to exactly the amount required by the same methods.

Loans are sanctioned by the societies themselves to their members and do not, as in France, require the sanction of a superior body. Where, however, the loan to the member has to be made by a society which is obtaining a loan from the Central Institute, then it draws not a lump sum from the Institute but only the amount required for that definite loan to the member. In each case it has to obtain this loan on a pro-note of the member discounted by itself. The Central Institute in turn keeps an individual account of every loan given by every society affiliated to itself and it sends monthly statements to every village society of the interest and instalments due for collection from its members in the next month. Most loans are short term loans and are covered by such bonds as can be rediscounted by the Central Institute when required. In exceptional cases, the Institute does give long term loans on mortgages, though it has no corresponding long term deposits. For the purposes of securing its position in regard to long term loans, the Institute relies, on the one hand, upon the advances given to it by Government, and, secondly, upon the issue of debentures which it is enabled to do on favourable terms. The credits given by the Institute to the societies are, however, more strictly limited than they are in India, and, in my opinion, I must confess, are more happily limited. In this respect, we still work vaguely and are perhaps unduly influenced by an estimate of the assets of the members of a society. In Hungary, there is a definite limit that a loan to a

village society cannot exceed five times the share capital subscribed within the village. In practice, however, they seldom exceed twice the share capital. For the rest of its needs the village is taught to rely upon its own efforts. In Hungary, at any rate, co-operators have learnt the lesson that money obtained without effort is only too apt to be wasted and only too apt never to be repaid. The Institute, therefore, definitely demands proof of co-operative effort and thrift on the part of the villagers by building up their share capital before it will lend them all that they require or all that they demand. On the other hand, by the encouragement that it has given to savings bank deposits it is expected of societies to a large extent to raise within their own limits the funds which they require, and as a matter of fact during and after the war the experience has been that most societies actually possess more local capital than they need and the Central Institute has found difficulty in profitably investing the large deposits made by societies on their own accounts. The thrift of members as well as the spurious prosperity given to cultivators by the high prices of agricultural produce during the war are shown by the fact that primary societies subscribed seven million kronen towards war loans. This patriotic sacrifice has, of course, ended in virtual loss owing to the defeat of Hungary. It may perhaps be noted here that societies cannot do any business with non-members, except that they are allowed to accept savings deposits from them and may also accept credit from non-members for any business transaction such as the purchase of manure or similar articles. Managing committee members need not necessarily be members of the society and in many cases are not. They are very often neighbouring proprietors who sympathize with the movement or priests in the village who are looked up to by the people but who have no immediate need of membership. They may be paid, but the total payments made to the managing committee members must not exceed 10 per cent. of the net profits of the society. In villages the usual rate of interest on loans is  $6\frac{1}{2}$  per cent. and the deposit rate is  $4\frac{1}{2}$  per cent. Allowing for management charges the margin of profit in a village society varies between one-half and one per cent.

In 1916, 24 crores in all were at the disposal of the societies' members who numbered about  $6\frac{1}{2}$  lakhs. Of these 24 crores, nearly 16 crores, were locally raised and about 8 crores were obtained in loan from the Central Institute. It is interesting to notice that the majority of deposits made were deposits between 60 and 600 rupees so that it is a fair inference that the majority of deposits were from small cultivators, though not the poorest. The total of savings bank deposits of societies in villages at the same time amounted to 13 crores. It may perhaps be noted that agricultural societies include artisans also if they live in a village and are not

rigidly confined to cultivating members as they are in France. There are also a few industrial credit societies affiliated to the Central Institute and some societies are expressly formed for both classes from the beginning. That the majority of societies should be agricultural is, however, acknowledged in a country in which 70 per cent. of the population lives on agriculture. It is interesting to notice the objects for which loans are made. One finds that the heaviest item is repayment of old debts, for which 44 lakhs of kronen were taken in the year 1916. In the same year 37 lakhs of kronen were given for the purchase of land and 23 lakhs of kronen for the purchase of houses. 30 lakhs were taken for the purchase of cattle and another 30 lakhs for miscellaneous agricultural purposes, while 20 lakhs of kronen were used for the purchase in common of things like manure and other needs of cultivation, among which copper sulphate takes a high place. All except 100 societies were agricultural, but these include a certain number of non-credit societies as well.

Before returning from the village society to the Central Institute itself, it is well to remember what the effects of the War have been on Hungary. For a thousand years the area of Hungary had been almost without change that which it was in 1914. After long periods of devastation and of oppression under Turkish and Austrian rule the country had at last been able to devote itself to the development of its own resources and the attainment of a solid and fairly widespread standard of prosperity and happiness. Since 1890, the country had advanced in all directions with unexampled rapidity, and in agriculture in particular and agricultural teaching its Government had taken the foremost place in Europe. With the conclusion of the War, the whole aspect of the land and its people has been convulsed. Two-thirds of Hungarian territory have been reft from it by the Peace of Trianon, which it was forced to sign. Two-thirds of the Hungarian population have been deprived of their country and forced under alien rule. In the provinces which have been handed over by the great powers to such backward countries as Roumania and Servia, there were at least a considerable number of Hungarians who knew the languages spoken in those countries and who were connected by blood or speech with the peoples of those countries. It is just conceivable that, if they preserve the traditions they have learnt in Hungary, they may gradually do something to raise the standard of administration in the nations to which they have now been passed on and that they may gradually establish conditions more or less tolerable for themselves within those nationalities. Those Hungarians, however, who have been handed to Czecho-Slovakia, have been torn out of the heart of Hungary. They have at no period had any connection with Bohemia. They are in every way alien to its system of Government. The first great fact, therefore,

that faces one when one studies the co-operative movement in Hungary, as it now stands, is this loss of territory and of population. Not only has Hungary been deprived of her agricultural lands, but she has also been deprived of all the forests and mines which constituted her natural wealth. What is left, therefore, now is one dismembered fragment, one-third of that which for so long had constituted Hungary, an island of agriculture unsupported by any other resources, its population congested by the influx of refugees whom persecution and atrocities, over and above the mere fact of denationalization, have compelled to converge from the conquered territories into the centre of their land. Of 2,336 co-operative societies affiliated to the Central Institute before the Peace Treaty only 980 were left after the Treaty was signed. 669 Hungarian societies were handed over to Roumania, 462 to Servia, and 425 to Czecho-Slovakia. This in itself would be cruel enough. But the rancours of war survive and with them the natural envy of backward and less cultured peoples of a strong and more advanced civilization. The governments of the countries, to which these societies now politically belong, have placed every obstacle they can to weaken their consistency under the guidance of the Central Institute and even to impede the repayment of their debts. Communication is practically cut off. Persecution follows any attempt at correspondence and, over and above all, the difficulties of a violently fluctuating exchange make continued business arrangements or the liquidation of former liabilities next to impossible. The Hungarian krone has dropped from 24 to the pound to about 3,500 to the pound. The Roumanian lei and the Bohemian sokol, coins nominally equivalent in value to the Hungarian krone, have also dropped in varying proportions and their exchange values fluctuate from day to day as compared with the value of the krone. It will at once be recognized that this combination of circumstances has brought business to a stop and has created a slough of despond for both the societies and the Central Institute. As long as this temporary occupation of Hungarian territory by enemy countries continues, it is impossible to conceive any solution of a possible kind that can restore the co-operative movement to full health. That, in the face of these difficulties, the Central Co-operative Institute has managed to continue its existence at all, is a testimony to the patriotic energy of its administrators. That it has not merely managed to continue but is even conducting its business successfully, that, after the devastating effect of the Trianon Peace, it has managed to organize numerous new societies in the small territory that still remains to Hungary, that it has created co-operative movements of a new type, and that it has enlarged its powers by a new Act of Parliament are phenomena which fill one with astonishment and

which in spite of all trials are a happy augury for the future of the country. To quote figures of capital and business after the Peace, however, is a futile task, for the value of the krone is now so low and so fluctuating that figures almost cease to have a meaning. What is important to notice, however, is that even in 1920 the Central Institute advanced increasing and enormous sums for agricultural implements and manures and thereby did its best to assist the agricultural production of the country. Further, it has organized co-operative farming societies on a considerable scale. In 1920, there were 21 such societies with 2,500 families grouped within them. In Hungary, the collective farming societies do not work, as the majority of such societies in Italy do, on a collective principle but divide the land which they lease into individual holdings for their members. The society, however, buys machines, implements, and manures in common and provides for common marketing of the produce, while a manager for the farm is supplied by the Central Institute. The organization of these societies and the general further encouragement of co-operation in all branches has been made possible for the Central Institute by an amendment of the Act passed in 1920.

The Central Institute has, in addition to the powers given by law of control and supervision, various other privileges conferred by Government. The Ministry gives subventions of 3,000 kronen each to societies organized by it, to meet their initial expenses. Further, the Finance Department subscribed one million kronen towards the original share capital of the Institute and also deposited three million kronen in securities perpetually in the Institute and further made a grant of one hundred thousand kronen to meet initial expenses. The Central Institute is also exempted from various taxes and even from postal charges. It is also permitted to issue debentures and thereby enlarge its long term capital. In return for this assistance and for the great powers given to the Institute, Government has also taken ample care to secure that the Institute itself should be efficiently managed and strictly controlled in the public interest. The President of the Institute is nominated on the advice of the Minister of Finance by the King. The Institute has two Vice-Presidents, one of whom is nominated by the Minister of Commerce and the other by the Minister of Agriculture. The election of Managing Directors by the Directorate require the approval of the Minister, and one of the members of the supervisory committee is also nominated by the same Minister. But further than this, the Finance Minister also nominates a Government Commissioner who virtually supervises the work of the Bank all the time and in all directions. He takes part in all meetings of directors and all general

meetings. He is further given the legal right to protest against any resolution or action which is in conflict with the law or bye-laws. His protest at once suspends the execution of any such resolution or action until the Minister has taken cognizance of the question and given his decision. Finally, an amendment in the bye-laws requires the approval of the Minister of Finance in consultation with the Ministers for Justice, Commerce, and Agriculture. It will be seen, therefore, that the control exercised by Government over the Central Institute is of the same character as the control exercised by the Institute over its primary societies. In both cases the control is not from outside. It is from inside. But from inside it is very strongly exercised. It is not as in France exercised by a government official who stands outside of the banks and may pass his orders in writing upon written reports. The Ministry in Hungary as such remains almost aloof from the affairs of the Central Institute and as a matter of fact remarkably ignorant of the actual working of the co-operative movement. But the representatives of Government form part and a predominant part of the Institute itself. They deal with other members on equal terms with the Institute and discuss all matters freely as co-workers. This preserves that independence of character which is a marked feature of the Hungarian nation. At the same time, by this device it is possible for Government to retain control over this important central body and for the Central Institute in turn to retain control over its constituent societies, while preserving without detriment the autonomous character of these institutions. The device has much to recommend it and its spirit may be studied with advantage in other countries, though the method need not be imitated where conditions are different.

The working capital of the Central Institute is largely enriched by deposits of municipal funds and of trustee funds. In Hungary also Government has circularized municipalities recommending them to deposit their funds with this Institute—an interesting parallel to the action recently taken in this matter by the Government of Bombay. In 1913, the deposits with the Institute amounted to four crores, being fifteen times as much as they were in 1899. Debentures are issued at  $4\frac{1}{2}$  to  $4\frac{1}{2}$  per cent. the total value of such debentures not exceeding on the one side the total of the promissory notes for loans lying with the Bank and on the other side ten times the amount of the special reserve. In 1913, the loans given by the Institute amounted to six crores, as compared to 40 lakhs in 1899. As between the Institute and its societies cash credits are fixed, although the individual loan within the cash credit is only given on receipt of the necessary individual member's pro-note.



Co-operative granaries form a part of the co-operative movement which has been greatly encouraged by the Central Institute. The first co-operative granary was founded in 1900 under its guidance. In 1907, there were already 38 societies of this kind. Later figures unfortunately I failed to obtain. These granaries are built with the help of the Ministry of Agriculture which at first made grants of 4,000 kronen to each society of this kind and later on increased the limit to 10,000 kronen or roughly 6,000 rupees. In practice, the organization of such a society is conducted practically entirely by the Central Institute. Its management is undertaken by employes of the Institute trained for that purpose. The produce of the cultivators in the neighbourhood is brought together into the society's granary, is there prepared for the market, and is then sold wholesale by the society, each member being credited with the proportion due to him for what he has brought. In order further to encourage them, Parliament by the Act XIV of 1903 placed two million kronen at the disposal of the Minister of Agriculture for this purpose. Assistance is also given by the Ministry on a smaller scale to societies for collecting and selling eggs, and also to artisans' and producers' societies, such for instance as leather workers' societies. In all these cases also the societies work under the guidance of the Central Institute. The utility of these societies to Hungary has been undoubted. The cultivator obtains a better price for his products, is protected from exploitation, and is encouraged to grow the finest crops by the better prices he obtains. But Hungarian experience, like the experience of other countries, has shown that for this purpose it is not sufficient to depend on the efforts of the villagers alone. Marketing, in particular, is a matter that can hardly be efficiently dealt within a small area and by untrained people. It requires, and necessarily requires, a larger organization and trained management. It would appear as if some sacrifice of co-operative principle must necessarily be allowed if this supreme assistance is to be rendered to the country. Co-operative purism must give way before utility. Our own experience in this Presidency with cotton sale societies, for instance, has been similar. No cotton sale society now extant would satisfy a pure Raiffeisen enthusiast, and yet that they have been of great advantage to the cultivator and to the agriculture of this country appears undoubted. But so far in this Presidency the advantages and guidance given to such societies have been largely adventitious. It has been more or less, one might say by accident, it has been as it were by a temporary expedient, that the assistance of officers of the Agricultural Department has been lent for the purposes of grading and of helping in the auctions. The assistance of financing agencies has been even more accidental. We have not yet even properly

considered the problems of area and jurisdiction. I confess that what I have seen in Europe, in Hungary as in France, has led me more and more to the conclusion that in this respect at least we cannot rely upon the uncontrolled efforts of villagers in perhaps an area too small for the purposes designed. It appears to me that frank recognition is needed of the fact that societies of this class must be formed for a considerable area and that they will require trained management and sufficient finance, secured by some permanent control on the part of the financing body. We have an example pointing more or less in this direction of how such societies can be worked, in the shop managed by the Branch of the Provincial Bank at Baramati. It may be that some solution may be found on these lines, which is now an urgent problem in all districts, and in finding a solution the example of Hungary, with its control by the central financing agencies, its indirect control by Government, and its direct subventions from public revenues, may be of some benefit to Indian co-operators.

OTTO ROTHFELD

### CO-OPERATIVE SOCIETIES AMONG INDUSTRIAL WORKERS\*

All co-operators must have had their dreams about industrial co-operation. I do not claim to be an exception. The co-operator is nothing if he is not an idealist. But it would not be incorrect to say that we co-operators claim to have practical ideals. In this paper, I shall endeavour to outline some of our dreams, to describe the advantages which lure us to the prospect, and to indicate what appears to be the difficulties which we may expect to encounter if we endeavour to realize them in practice. Perhaps it will be convenient to describe separately the different forms of industrial co-operation which we aspire for and examine how far each form is of immediate practical interest. I would like to divide my paper into two broad divisions—co-operative factories, and co-operative societies among factory workers.

I do not know whether any such factory exists in India—but all co-operators have thought of co-operative schemes in which the interest of labour and capital will be merged into one. The highest and best scheme is that in which the producers of the raw material will own the capital and share the profits of the factory with the workmen engaged in it, from the expert manager down to the commonest unskilled labourer. This is regarded by many as a Utopian dream and quite impractical. It is worth while, however, to examine the scheme in its details, for, if such a scheme can ever be made to materialize, there can be no doubt that it will be for the good of India. The development of Indian industries is in

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its infancy and before the country is plunged headlong into the kind of industrialism familiar in the West, everyone who has at heart the welfare of the country should help in chalking out a programme for the future which will indicate a clear and steady line of industrial development while avoiding, so far as possible, some of the great evils to which the industries of the West are a prey. The evils referred to are the tendency of capital to exploit labour for its own benefits—to appropriate to itself all the fruits of production leaving to labour a bare margin of sustenance. I do not think that capital has ultimately much to gain by this short-sighted policy. Exploitation must lead to dissatisfaction, and, therefore, to inefficiency. Besides, only men without education and self-reliance can be exploited for a time which means that the exploitation not only creates and perpetuates inefficiency but implies inefficiency as a precedent condition. Then, there is the actual loss caused by strikes, in the course of which valuable mines are wrecked or machinery destroyed apart from the immense loss in production during the period of the strike. Both capitalists and labourers, it is too evident, suffer terribly as a result of these strikes. The actual loss to the country in material wealth and mental happiness cannot be estimated unless experiments are made in the organization of industries on a co-operative basis. But I have not the least doubt that the co-operative principle of identifying the interests of labour and capital when adopted will prove to be one of the most potent factors in production and be also conducive to much happiness. It is reported, with what truth I do not know, that the famous Mr. Ford of Canada applied the principle in a limited sense in his great firm, actuated by philanthropic motives but happened to make the most successful business hit of his life. And that is saying a great deal. Now let us examine the constitution of an ideal co-operative factory and see how far any of its methods can be worked in practice. The ideal co-operative manufactory will be one in which all the capital required will be owned by the producer of the raw-material and the employees of the factory, no particular individual being allowed to have shares above a certain maximum value. There will be a set of directors elected by the general body of share-holders, the supreme authority being vested, as in all co-operative societies, in the general meeting. The profits distributed are (a) a maximum dividend on shares, (b) a bonus to suppliers of raw materials proportionate to the quantity supplied by each, (c) a bonus to employees proportionate to the wages earned. The advantages to the country of such a co-operative factory if it can be organized are obvious. A co-operative factory as described above may be expected to save considerably in the matter of securing the raw material. The producers being share-holders of the mill and entitled to

a bonus on the quantity supplied will be interested in supplying the raw material and the cost of maintaining expensive agents for supplying the raw material will be considerably reduced. The workmen who have a share in the profits, will strain their nerves in maintaining a maximum output of work. Strikes and lockouts will be avoided and much unnecessary loss of wealth prevented. Wealth will be more equitably divided between capital and labour, and an identity of interest will promote real co-operation between these two factors of production and result in a total increase of wealth and happiness. The industries themselves will be put on a more productive basis, inasmuch as the children of the workmen will have the means of better education and will become more efficient labourers.

But there are difficulties in this scheme which need to be appreciated. The success of a private factory depends largely on a competent manager properly controlled by an efficient set of directors who are interested in the success of the concern. But if, as in the co-operative scheme, the share-holders are all uneducated, as most of the producers of raw materials and labourers in factories are likely to be, they cannot get from their ranks an efficient set of directors who can control the manager. Another obstacle is the difficulty to get the producers of raw material to become share-holders. Ordinarily, the raw material passes through many hands and the producer is so far removed from the mill that he cannot be expected to take any interest in the mill. Both these difficulties can be overcome in part by the organization, as an intermediate stage, of co-operative sale societies and co-operative elevators among the producers of the raw material and making these societies share-holders of the co-operative factory. The workmen in the factory can be represented by educated directors specially appointed to protect their interests. Some of these may be found among the more skilled and educated employees of the factory, and others among representatives unconnected with it but interested in the welfare of industrial workers. This may not be quite a satisfactory arrangement from the co-operative standpoint, but until workmen are better educated, it will not, in my opinion, be a bad working compromise. There are other objections which may be raised. For example, some will contend that the driving power of capitalists will be lacking in such co-operative enterprises. There may be some substance in this contention, but I am prejudiced enough in favour of co-operation to believe that the loss of driving power provided by the capitalists will be more than compensated for by the increase in efficiency in the workers, from the manager down to the common labourer, and by the improvement in the quality of the raw material supplied by the producers.

It will not be out of place to mention here that the experience of Denmark has proved, beyond doubt, that co-operative factory production is not an idle dream. In 1914, there were in the small country of Denmark no less than 1,168 co-operative dairies or butter-manufactories, as against 196 private butter-factories, while there were 45 co-operative piggeries or bacon-factories which disposed of nearly  $2\frac{1}{2}$  million pigs as against 400,000 by private factories. The main principles of these dairies are these. Members bind themselves to deliver to the dairy all the milk they produce except what they use at home, they all are jointly and severally liable, the profits are divided in some societies in proportion to the amount of milk delivered by each, and in others by the quantity of butter contents in the milk supplied; all milk producers can be members without any contribution in cash. The co-operative piggeries or bacon factories have a similar constitution. Circumstances in India are, of course, different. The Danish farmer is fairly well-educated, Denmark is a small country, and it is one of the most advanced countries in the world as regards co-operative enterprises. But still it must be admitted that the example of Denmark is not without practical interest in our investigation. In India, the producers of the raw material and the employees of factories are too uneducated to send representatives to an efficient directorate. Further, it may be conceded that the motive power for capitalistic production should not be entirely lost. In view of these considerations, I think it will be desirable to make our first experiments in a form which will combine the advantages of capitalistic with co-operative production. I have, therefore, made an humble effort to outline the constitution of a co-operative factory. I hope it may be found profitable to discuss the scheme. The scheme is this. Take some suitable industry, a jute mill or a cotton mill. In order to have a co-operative mill, the co-operative organizers will first have to organize a number of co-operative sale societies among cotton or jute growers; when the quantity of raw cotton or jute available through such sale societies reaches the minimum required to feed a mill, some enterprising organizer who believes in the possibilities of co-operative production might float a company. There will be two classes of shares—preference and ordinary—half the number being earmarked as ordinary. The preference shares will be open to capitalists, the ordinary shares to co-operative sale societies and elevators, and to the workmen to be employed in the mill. No ordinary shareholder will be allowed to purchase shares beyond a maximum value. The supreme authority will be vested in the general meeting, in which sale societies and workmen will be represented by delegates proportionate to the strength of individuals who constitute, respectively, the sale

societies and the general body of workmen. The general meeting will elect the directors; half of whom must be representatives of ordinary share-holders. The profits will be distributed after necessary deduction for depreciation and reserve fund and payment of a maximum dividend on shares, as bonus to suppliers of raw material in proportion to the quantity supplied and to the workmen in proportion to the wages earned. This is a brief outline of a possible co-operative factory. It is quite evident that the scheme cannot be applicable to all industries. But even if all industries cannot be organized on a purely co-operative basis, there is room for application of the co-operative principle in various degrees. All industrial concerns can by law regulate that a certain percentage of their profits will be distributed as bonus to the workers or spent for their welfare in providing better housing conditions, schools for the children, and healthy recreation. All these factors are worthy of consideration not merely from the humanitarian point of view but from the point of view of increased production, for I have no doubt that healthier and better conditions of work mean greater efficiency.

While dealing with the first part of my paper, I admitted that my ideas were based on theories, though, from my experience in other spheres of co-operation, they do not appear to me to be incapable of realization in practice. In the second part, my suggestions are based on some experience of labour conditions in coal mines and in the Tata Works at Jamshedpur. I have also some experience of labour conditions in cotton and jute mills. The result of my investigations into the conditions under which the workers live in the coal-fields of Jheria and Jamshedpur may be summarized as under :—

(a) The local supply of necessities and comforts is very much below the demand and consequently the local shop-keepers indulge in naked profiteering. Co-operative stores for the supply of necessities and ordinary comforts will hence remove a much-felt want.

(b) Money-lenders charge exorbitant rates of interest, ranging from  $37\frac{1}{2}$  to 150 per cent., and there is plenty of scope for co-operative credit societies though these will require special safeguards owing to the extremely floating character of the labour population.

(c) The labourers are fairly well paid and considering their low standard of living are likely to save considerably if facilities for savings are provided.

(d) Many labourers do not work throughout the week simply because they earn enough in three or four days to meet their wants for the whole week. Others spend their surplus earnings on drink. If facilities for savings are provided both these classes will probably work more, and

learn to save. Good savings banks which will secure their confidence are an urgent necessity for their economic welfare.

(e) The labour is exceedingly mobile and therefore inefficient.

(f) Housing conditions are on the whole unsatisfactory and this is one of the chief reasons why labourers do not settle down. There is scope for co-operative housing schemes.

I shall now endeavour to describe the nature of the co-operative societies which may be attempted among factory workers and indicate the conditions which are likely to ensure their success.

In those areas where housing conditions are generally unsatisfactory there appears to be scope for co-operative housing schemes. But the subject is obviously beset with difficulties and as I have not had either the time or the opportunity to study the question in its practical bearings I doubt if I can suggest anything useful. But I may be pardoned if I throw out an idea. I have thought of the subject and I know some of the predilections of the class of men from whom factory-workers are recruited. In my opinion, the best way to command labour under more settled conditions than are obtainable at present is to devise, after freely consulting the labourers themselves, plans of attractive though inexpensive cottages with small plots of land attached to each, and to endeavour to provide the labourers with such housing conditions. The whole initial cost may be borne by the factory-owners or raised by special banks or philanthropic financiers and the labourer allowed to purchase the house and land on the hire purchase system by being allowed to pay the principal and interest in the shape of a monthly or weekly payment spread over ten to twenty years. It is presumed that the rate of interest will be reasonable. Special types of co-operative banks may be organized to finance such schemes, and if the owners of factories backed these loans by providing additional securities in the shape of guarantees, beyond what are available from the liabilities of the members themselves, such banks may be brought into existence. The owners may go one better and undertake to make such houses available to the labourers at half the actual cost. The expenditure will be truly productive as it will, by making housing conditions more congenial and healthy, settle labour and increase its efficiency. It will also be really philanthropic as no condition tells on the health and morals of the factory workers and coal miners so much as the housing conditions under which they generally have to live.

There is a very great need for this class of societies, but the difficulties in the way of their successful working are very great. The labouring class, as already mentioned, forms a floating population, and often near neighbours in a working class locality belong to different parts of the country,

having very little affinity with each other. They know very little of each other's habits and character and the principle of joint liability which is the whole basis of co-operative credit, is not easily acceptable under these conditions. The only way in which such societies may be started is to organize small societies with a very limited membership not exceeding fifty and to restrict the membership strictly to prescribed limits of residence—or to special departments in which they are employed. It will also be necessary, in many cases, to enrol the headmen and foremen as members and supervisors of societies as they will be in a position, by the knowledge of the workers' character, to assess the credit of members accordingly. If they realize the need for and the advantages of such societies and accept the joint liability with full knowledge of the risks involved, they will perforce cultivate each other's acquaintance more and more. But in any case it may be taken as fairly certain that, without intimate mutual acquaintanceship, no successful credit societies can be organized. These societies should also be based on a system of shares payable in easy instalments, loans being limited to a certain multiple of the value of shares paid up. If the employees are sympathetic they can help in a variety of ways. They can require the officer who distributes wages to deduct from the wages, on the previous authorisation of a member, the instalments of loan repayments as agreed upon between the member and the society.

In order, however, that these societies may be a success from the co-operative standpoint, it is necessary to arrange for their finance and supervision by a central co-operative bank. The safest method will be to organize a number of societies simultaneously and affiliate them to a central bank with a complete staff of officers. The bank may recruit share-holders from the educated employees of the factories or mines. In the initial stages, it will be necessary for the proprietors to subsidize the central bank towards the salary of a well-qualified manager, specially trained for co-operative work. An initial salary of Rs. 150–10–250 ought to fetch a competent man.

From my study and investigation into the subject of co-operative stores, two or three essential conditions for success may be laid down. (a) A store must have regard for convenience of situation. People do not mind paying for conveniences and consumers will generally pay more and get goods at their door than take the trouble to go far to get things cheaper. (b) A store cannot be a success unless reliable and therefore well-paid men are put in charge. A cheap manager spells failure. It is, therefore, necessary to start stores with a sufficient working capital to enable them to pay for a good manager from the commencement. (c) As in all good business there must be no unnecessary locking up of capital. This can be



ensured by very careful selection and estimate of the goods stocked. Mistakes can be avoided by freely consulting the members as regards their needs. (d) Genuineness of articles is everywhere appreciated and good things at fair value are always better than merely cheap things. A co-operative store should aim at providing genuine and good stuff at reasonable rates. (e) In order to prevent leakage an effective system of dividing stock in store-room and sales-room and of periodical stock-taking is necessary. (f) In order to make the stores popular, rebates should be granted at least twice a year.

The foregoing conditions must be borne in mind if co-operative stores are to be organized in labour centres. A constructive scheme of organization for such stores should be as follows:—

1. A number of stores from five to ten should be organized simultaneously with at least fifty members in each, and the whole group should be put in charge of a reliable competent general manager who must be well-up in business, auditing and accountancy, as well as in business experience. A salary of Rs. 200 a month, with a percentage of the profits, ought to attract a good man in our part of the country. The manager will be in charge of making purchases and will have to be in touch with the market. He will ascertain the requirements of the stores and bulk the orders. He will be responsible for giving out supplies from the stores-room to the sales-room and for taking periodical stock of goods. He will be responsible for seeing that the books of the stores are kept in order and will have to make frequent inspections.

2. Each store will have an accountant-manager and two or more salesmen. Each store will have as part of its regular business a savings bank department which will be in charge of the accountant-manager. Proper rules should be framed and pass-books issued to each depositor. The main feature of the rules would be:—Deposits will be received from all employees whether they are members of the stores or not. Fractions of a rupee will not be received and no interest allowed on sums below a certain minimum, say Rs. 5 or 10, or for periods less than 3 months. But full facilities will be given for withdrawals, the only condition being a short notice of 3 to 7 days. The savings bank will have a cash credit with a local bank to meet calls from depositors.

3. Each store will require a suitable building which will have to be provided by the proprietors who may charge a rent for it.

4. It will be necessary in the initial stages for the factory owners to give both moral and financial support. If they find the pay of the general manager and provide the necessary buildings, it will go a great way towards ensuring the success of the stores.

N. K. Roy

## CO-OPERATIVE SILT CLEARANCE SOCIETIES IN THE PUNJAB

There are five rivers in the Punjab, running more or less from the north-east to the south-west. For irrigation purposes the water is drawn from these by the agency of canals which are either perennial or inundation canals. The perennial canals run regularly throughout the year and are under complete control. There is a dam, with shutters, constructed across the bed of the river which ensures a constant water-supply to the canal according to the discharge fixed by the engineers. These shutters are kept open when the river is in heavy flood to allow the surplus and silt-laden water to flow down. The head of these canals is also provided with shutters, which can be raised or lowered according as the water-supply is to be increased or decreased. The shutters are completely closed when there is a flood in the river and the water carries a lot of silt. This prevents the muddy water from flowing into the canals and their distributaries, and so the deposit of silt therein is avoided.

Inundation canals are generally found in the districts of Ferozepur, Shahpar, Jhang, Multan, Montgomery, Muzaffargarh and Dera Ghazi Khan. The position in these canals is quite different; there is neither any *pacca* structure nor any regulator at their heads. There is merely a cut in the bank of the river at the point where such canals take out. These canals receive only water when the rivers are flooded by the melting of the snow in April and May, and afterwards by rainfall: sometimes they bring water much beyond the requirements of the cultivators, and sometimes so little as to be quite insufficient for irrigation purposes.

Thus no control can be maintained over the flow, and both the main canals and the channels get heavily silted up from time to time. The latter suffer most; for in them the flow of the water is much slower. The silting up reduces the water-supply to a very large extent and this necessitates the clearance of silt every year. This is done every year by Government in the canals, but the clearance of channels is left to the cultivators within the commanded area who have to make their own arrangements.

It has been estimated that if silt clearance in the channels is neglected for a single year, there is a reduction of about 50 per cent. in the area irrigated. This shows that whenever the management of channel silt clearance is unsatisfactory—which it is in a good many cases—there is a heavy economic loss to the Zemindars concerned.

The Zamindars lack organisation, and cannot ordinarily unite for joint action for the clearance of the channels. Again, whenever they do unite, it is not always to the full advantage. Sometimes they begin work too late. When the season approaches, the canal begins to flow, and the channel is not cleared yet, and they lose irrigation for a good many days. It also often happens that the silt is not dug out to the proper depth, which results in the bad working of the channel throughout the year, for the water drawn by such a channel will fall very much short of requirements and cause an immense loss.

Again, a uniform depth of silt clearance is not observed. Some portions of the channel are dug too deep, which means a sheer waste of labour, for they do not help in drawing more water, and get silted up very soon to the level of the rest of the channel. Many disputes too arise out of this unorganised working, which ultimately end in litigation and contribute a great deal towards the ruin of the Zamindars. To remove all these difficulties co-operation has been resorted to. Three co-operative silt clearance societies were started experimentally last year, and seeing their success a good many more are expected to be started this year.

A separate society for each channel seems necessary as a rule. Irrigators from more than one channel may be included in one society only when such channels irrigate land possessed by the same set of persons holding the same rights. Long before the time when the canal is due to flow, the member irrigators hold a general meeting and decide to what extent the clearance of the silt is to be done. They also mark out general plans of the work for the committee, who act up accordingly.

A general meeting also assesses a contribution to meet the cost of the clearance which may vary according to the circumstances of irrigation of each irrigator, or according to the shares they hold in the land under irrigation within the irrigation boundary. A provision is made in the by-laws for the members to offer their services for work as labourers on their own behalf or on behalf of others. In the former case, nothing is charged to them on account of contribution, and in the latter they are remunerated for their labour, provided in either case they have worked to the entire satisfaction of the committee.

Liability is limited to a specified sum per member, the total of which is ordinarily somewhat over the total annual estimated costs for the silt clearance. Thus, if there are 50 members and the total estimated costs of clearance amount to Rs. 1,000 in a year, the liability of each

member will be somewhere about Rs. 25. The small entrance fees and all savings from the contributions go to a reserve fund.

The figures given below, taken from an average society, namely, the Kandu Wala Co-operative Silt Clearance Society in Montgomery District, may be of interest to the reader :—

Year	Date on which the canal began to run	Date on which the channel began to run
1921 (with society )	14th June	14th June
1918 (without society )	20th May	22nd June
1919 do do	2nd June	29th June
1920 do do	30th May	24th June
Area irrigated with co-operative society in year 1921		360 acres
do do without do do in the last three years : 1918, 1919, 1920 (average)		190 acres
Areas matured with co-operative society in 1922		360 acres
do „ without do do in the last three years 1918, 1919, 1920 (average)		105 acres

The excess of the matured area in the year 1921 over the average of the years 1918 to 1920 comes to 255 acres. After deducting one-fifth for fodder, the average comes to 204, or say 200 to make it a round figure.

If half may be allowed to kharif—cotton and bajra—and half to Rabi—wheat and gram—the total gain to members through the agency of the society comes to Rs. 4,550 as detailed below :—

1. Cotton	50 acres.	Outturn	2½ Mds. per acre	@	Rs. 10/	is	Rs. 1250/-
2. Bajra	do do	do	3 do do do	do	4/	do	600/-
3. Wheat	do do	do	6 do do do	do	5/	do	1500/-
4. Gram	do do	do	6 do do do	do	4/	do	1200/-

Total ... Rs. 4,550/-

It may be noted that the out-turn and the prices have been calculated at the lowest possible rates, so that all fear of exaggeration may be avoided.

It will be evident from these figures how useful societies of this type can be. In the first year of the working of the society, the channel was following the very day the water was received in the canal, whereas, during the previous years, in 1918, 1919, 1920, the channel ran full 27, 27, and 25 days respectively, after the running of canal. All the difficulties experienced previously have been surmounted by these societies. Frivolous litigation has also been avoided, for the committee themselves settle all the disputes arising amongst the members.

FATEH KHAN

## CO-OPERATIVE LIFE INSURANCE

It is indeed extremely gratifying to come across a fully worked out scheme of co-operative insurance for the Presidency of Madras, in the March number of the "Madras Bulletin of Co-operation". In order, however, that the project may meet with thorough success it should be examined from the business point of view. Let us then survey its field of business. It is certain that there are no groups of people waiting to enlist themselves as members, that is, ready to be insured. The scheme even mentions that those who may be persuaded to insure in this scheme will be made members of the co-operative insurance society. This company or society will, therefore, have to compete with the other existing insurance companies. To be able successfully to do so, it is necessary to ensure good canvassing, cheap rates, and excellent credentials for security. The employment, however, of good and therefore costly canvassers is likely to be considered as an employment of a middleman whom the scheme aims to destroy. As regards rates, the scheme under notice has the following: "Ordinarily the scale of premia may be taken as  $3\frac{1}{2}$  per cent. in case of policies of the kind described under A class (*i.e.* ordinary policies for Rs. 500 and upwards). For B class policies (*i.e.*, for Rs. 100 to 500). a higher rate of premia, say 7 or 10 per cent. will have to be fixed as the risk involved will be greater". This scale is not lower than that of many existing insurance companies, as far as class A policies are concerned. As for class B policies there is no company at present issuing policies for Rs. 100. But the scheme itself mentions the Industrial and Prudential Assurance Co., Ltd., of Bombay, as one issuing policies for Rs. 250. The rate for these is about 5 to 6 per cent. only. On the score of rates, therefore, the assured is not likely to be specially attracted to this scheme. As for excellent credentials for the security and stability of the institution it may be admitted that the founders and managers of the co-operative insurance society are sure to be trust worthy and respectable people. But that is not all. The life insurance business is a business of future liabilities. The payments are to be made in future. The assured, therefore, have to be convinced that everything will be in order in future. This conviction can be brought home to them, if there is a good paid-up capital and a large uncalled capital, and if the requisite security deposits have been placed with Government. The co-operative society, however, ought to claim exemption from the Government from large statutory deposits. Otherwise, capital will be necessary which will claim not only interest but profits, to the detriment of the members of the society. There must then be large uncalled

capital. Will the investors consent to this? It may be possible to collect a working capital, but if there is a large uncalled liability, it will be difficult to get even the small working capital. And if there is no deposit and no uncalled liability how will the scheme inspire confidence amongst the general public so as to set their minds at ease regarding future claims? The other companies might make the most of this.

Let us now examine the motive for founding a co-operative insurance society. The present scheme, apart from the general notion of spreading the co-operative idea, aims at the following points, which we may well take to be the motive for the scheme. The first is the desire to institute smaller policies for Rs. 100. The next is to eliminate the middle-man's profits and to distribute it amongst the policy-holders. The last object is to tap a source of long term capital for the Provincial Central Co-operative Bank. The insurance society, where prosperous, is sure to have a steady flow of premium-income and it will then be able to place large deposits in the Central Co-operative Bank for long periods.

Let us take the points one by one. The institution of smaller policies is an extremely hazardous step to take. In the first place, the poorer people, staying in small villages, are not willing to go in for insurance. The canvassing, therefore, may be very costly and for a long time the total business on books may not be large enough to work out a good average. Then, the persons insured being poor are not likely to be good paymasters and there may be lapses, out of all proportions, which may again increase the cost of business. These are again the people who generally suffer the most by epidemics and the death ratio may also be high. It may not, therefore, be considered right for a new company to risk the smaller policies at the very outset.

As regards the elimination of the middle-man's profits, we have seen that the co-operative insurance society does not propose to offer cheaper rates of premium to the assured. It cannot wholly destroy the share-holder because some working capital is necessary. And so long as the Government has not exempted it from statutory deposits, money will have to be found for these also. There are again no groups ready to be insured and hence canvassing will be necessary. The middle-man thus does not totally disappear. Supposing, however, that the co-operative insurance society can somehow or other dispense with the capital investment, what benefit does the assured, that is, the member derive? The member can get, by way of bonus distribution, the amount that otherwise

would have been paid to the share-holders by way of dividends. It is, however, a well-known fact that even ordinary insurance companies distribute amongst their share-holders only 10 per cent. of their profits by way of dividends and the remaining 90 per cent. of the profits are distributed amongst the policy-holders. Is it, therefore, right to undertake this new experiment merely for the sake of getting the bonus of policy-holders increased by one tenth?

As for the deposits for the central co-operative banks, there are likely to be some difficulties in the way. Even when the insurance society is in a position to offer deposits to the banks, it may not be in a position to place fixed deposits for long periods, as an insurance company needs to have some portion of its assets in liquid securities or short-dated investments. And the banks may not be much helped by these deposits particularly, as they cannot make use of the money for agricultural loans. Thus it is quite likely that the promoters of co-operative insurance may not gain any of the objects which prompted them to undertake the whole scheme.

Are there then no means by which the scheme be made successful? Let us try to fix up things which may lead the scheme to success, presuming that we do not want to abandon the idea of co-operative insurance. First of all, then, we must move Government to dispense with the statutory deposit of Rs. 25,000 per year for eight years. This may enable us to have fewer share-holders. In order, however, to inspire confidence amongst the insuring public, some scheme ought to be devised by which the future claims may be guaranteed. If we do get guarantors, the interest or dividend should be paid for money actually used by the company. An insurance company does not require a large paid-up capital, but there ought to be a very large unpaid capital. This unpaid liability and some device about the guarantors will inspire confidence in the public.

For smaller policies individual canvassing will not pay. Rural societies ought to be interested in the scheme, and their members should be induced to go in for insurance. Large employers of labour ought also to be interested in the scheme and bulk business should be secured through them. The larger policies also can be introduced through these agencies. A co-operative insurance society may be started any time, but actual business ought not to be commenced till there are reliable promises for substantial business and till Government exempt the society from statutory deposits. The society should also claim exemption from policy-stamps.

Can we, however, not gain all the objects mentioned above without undertaking the risk of founding and conducting a co-operative insurance society? It can be done if some of the existing companies are properly tackled. If one company has been actually issuing policies for small amounts of Rs. 250, can it not be persuaded to reduce this amount to Rs. 100? As for the middle-man's profit we have seen above that by dispensing with the investor in the form of the share-holder we can increase the bonus to be paid to the policy-holder only by one tenth of the amount otherwise available for distribution. That point can, therefore, be ignored. If, however, the co-operative organizations are to create business for the ordinary insurance company and if they render assistance to it in the execution of its business, can they not themselves claim to be the middle-man, thus becoming entitled to commission either for the benefit of the particular society as a whole or for the benefit of its members who are assured? As for long term deposits for financing rural societies, if the insurance company is getting good business through the various co-operative societies, both rural and urban, it can very well be persuaded to deposit with co-operative banks at least the premia earned through co-operative organizations. We can thus gain all our points, to a very great extent, without undertaking any risks whatsoever.

It need not be mentioned that, by discussing an alternative to the co-operative insurance scheme, the writer has not the least desire to belittle the co-operative spirit underlying the scheme. One should not, however, be carried away merely by the denomination "co-operative", but should have an eye open to the actual substance of and possible practical gains from an undertaking, particularly when the undertaking is attended with serious risks.

KESHAVPRASAD C. DESAI

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## CO-OPERATIVE PRODUCERS' MOVEMENT

It is some time since a small number of producers' societies have been organised in this Presidency amongst people of different professions with the object of production and manufacture of various materials. It has been found that in the organisation of such societies many difficulties have had to be overcome, difficulties which have yet to be faced and solved. The difficulties that mainly beset the producers' societies at the very outset are the want of sufficient capital, the immediate means of meeting the needs of the members of such societies during the first few months of their working, and, lastly, the



lack of proper knowledge of business and of adequate management of such societies.

Every new member who joins such a society and who would otherwise be a wage-earner, at the outset, feels himself free and considers himself the owner of the business. This misconception and wrong sense of independence in the members make at times discipline a bit difficult to enforce and control by the manager somewhat impossible. The other difficulty is to secure a good and brisk business for such societies at the start. The ordinary consumers, finding greater varieties of articles and sometimes articles of better qualities at big stores than those available at the shops of such societies, find it difficult to patronise such shops. On the other hand, the distributive societies have little realised the importance of maintaining the closest possible relationship with the producers' societies, thereby profiting themselves and helping the producers to carry on an extensive production.

The wage-earners in the ordinary mercantile firms and concerns working on co-partnership system have not fully realised the importance of working on a co-operative co-partnership basis, which is entirely different from the former. The ordinary co-partnership system prevalent in the pure mercantile concerns debar the employees from having any voice in the management and allows them only such portions of the profits as the directors of the concerns choose to give. But the co-operative co-partnership system makes the members eligible for taking part in the management, leaves the profit entirely to them to share, and makes it possible to direct the business by mutual consent. To advocate this important principle adequately and emphatically should be the chief function of the organisers of such societies. It is only when the ideal of industrial democracy prevails in the minds of such wage-earners and the thought of the communal workshop presents itself before them that they make attempts to emancipate themselves from the control of the capitalists, and organize themselves into a co-operative body.

The organisation of such societies will be easier only when the ordinary wage-earners are made to realise their sense of self-respect, to feel a desire for better housing, a better life, and a better living wage. It will be successful only when sufficient finance can be procured for the producers to keep on and when the individual consumers and the distributive societies come forward to offer a prompt helping hand by dealing so far as is practicable with such societies. If once the bodies of skilled artisans and people of different professions

realize the economic and social advantages of joining and working on a co-operative co-partnership basis, it will not be long before producers' societies become sufficiently prosperous to stand the struggle against the large industries organized on a capitalistic basis.

SARDAR ABDUL RAHIMAN

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## PROGRESS OF CO-OPERATION IN INDIA

### PUNJAB

Despite an adverse agricultural season which brought on a fodder famine and led to a tightness in the local money market, the co-operative movement in the Punjab recorded satisfactory progress during the year 1920-21. The total number of societies increased from 7,174 to 8,453, the membership rose from 1,82,516 to 2,14,411, and the working capital grew from Rs. 3,76,46,147 to Rs. 3,60,58,517. The increase would have been still more considerable if the Department had not abstained from adding to the number of agricultural credit societies in a year of scarcity and financial stringency. Even under the the restrictions imposed, agricultural credit societies increased by 991 to 7,605. The number of members of these societies increased by about twenty thousand to 196,691, while the working capital of the societies increased from Rs. 1,74,78,971 to Rs. 2,16,13,017. Half a crore represented shares and half a crore the reserve funds. The share system is reported to be gaining in popularity, and after the period of ten years during which instalments are to be paid is over, members agree to leave their share money in their societies or begin contributing to a new series of shares. This shows that, gradually, rural co-operators in the Punjab have come to recognize the value of the share system as promoting thrift. Another interesting feature is that all new societies and some of the older societies also adopt bye-laws under which profits remain indivisible and no dividends are allowed even after the period of ten years is over. Although this practice has the advantage of enabling village societies to build up large reserve funds sufficient to meet all the needs of the members, it will be demanding too great a sacrifice from agriculturists to expect them to invest increasingly in non-withdrawable shares on which they can never hope to get even a small return. It is not by such means that the virtues of thrift can be inculcated. And here it must be remarked that although the system of shares has enabled agricultural credit societies in the Punjab to build up substantial owned capital, the members have not been very largely educated in the value of voluntary deposits, and the societies in no sense serve

as village banks either for members or for non-members receiving savings deposits, opening current accounts, or attracting seasonal deposits for short periods. Deposits from members increased by three lakhs during the year under report but as the total amount was five lakhs, the average deposit per member is only seven rupees. Deposits from non-members also increased by four lakhs to nearly fifteen lakhs. Two lakhs represented inter-lendings between societies, and nearly 81 lakhs were borrowed from central banks, an increase of more than twenty-five lakhs over the previous year's figures.

Owing to the poor season, repayments fell off by about ten lakhs, but arrears from members amounted to less than 5 per cent. of the outstandings, and while the average amount advanced per member is high, great care seems to be exercised in fixing the credits of members. It is interesting to find that every year nearly twenty per cent. of the loans, on an average, are advanced for repayment of old debts, which may be one reason why the financial position of the societies appears to be sounder than in this Presidency where we wait for some perfect plan for redemption of agricultural debt. Societies which have owned capital sufficient for the ordinary needs of their members are allowed to reduce their rates of interest on advances while some few societies lend without interest. The economic position of members in societies which completed ten years of existence is examined from year to year and in the year under report inquiries were made in 246 societies. In these societies unsecured debt was paid off to the extent of Rs. 6,29,000, secured debt was reduced by 4½ lakhs, and 2,850 acres of land were redeemed. On the other hand, the members held through their societies two lakhs as share capital and reserve funds, 1,447 acres were taken in mortgage for 3½ lakhs, and 2,300 acres purchased for 6 lakhs. Over 3,600 members have been entirely redeemed from debt. Thus while indebtedness has decreased by 11 lakhs, assets have increased by 13 lakhs. In one Tahsil, the average indebtedness per member in societies of ten years' standing has declined from Rs. 466 to Rs. 127. Mr. Calvert argues that these figures show that co-operation is the one sure remedy for rural ills, for while rural debt has generally increased considerably all over the Province the members in these societies seem to improve their financial position by one thousand rupees per society per year.

The credit societies in the Punjab interest themselves in certain non-credit activities also, particularly such activities as are connected with agricultural improvement. Iron ploughs and their spare parts, harrows, drills, fodder-cutters, tractors and other implements were

supplied through societies, the distribution of pure seed was taken in hand, 50 demonstration plots were arranged, and the planting of fruit trees encouraged. The supply of fodder was also undertaken by some societies and a scheme of co-operative fodder insurance is under consideration. In no direction, however, have the effects of the movement been, so striking as in creating a demand for education. Societies for the provision of educational facilities for adults, through night schools, are registered as adjuncts to credit societies, and the report mentions that there were in existence, at the close of the year, 45 registered and 55 unregistered schools with 1,783 students. The credit society looks after the management and provides an honorarium for the teacher, although grants are sometimes received from local boards. In one village, a school society for children has been formed by parents who bind themselves, under penalty of a heavy fine, to send their boys to school for the whole primary course. This is an interesting example of the principle of joint action for common good which, Mr. Calvert observes, inspires the members of co-operative societies and has brought about a considerable change in their outlook. Instances are quoted in the report of restrictions imposed by common consent on extravagance on ceremonial occasions, the infliction of fines on drunkards and gamblers, and the insistence on high standards of conduct.

The total number of other types of agricultural societies was 409 the membership 15,684, and the working capital Rs. 4,94,450. There were 171 societies for purchase and sale, with a working capital of Rs. 3,35,051-31 of these were primary societies and the remaining supply unions composed of credit societies as members. The small supply society does not naturally thrive in rural areas, and even the supply unions did not fare as well as in the preceding few years. Sales amounted to Rs. 3½ lakhs, showing a decrease of a lakh and a half. The articles sold were cloth, kerosene oil, salt, and during the year under report, *bhusa* for fodder. Wheat and *ata* were also supplied. There seems to have been no special effort made to organize the supply of agricultural requisites. Among other societies for the organization of agriculture were two co-operative seed farms, four societies for the sale of milk, one for the sale of ghi, and half a dozen commission shops for the sale of agricultural produce. The cotton sale societies are being wound up and replaced by commission shops, the working of which was described at length in the last issue of this journal. Sales through these shops amounted to Rs. 3.8 lakhs. The school societies have already been referred to above. An article in this number of the Quarterly deals with another type of society, the silt clearance societies, which numbered three at the end of the year under report. There

were thirty-eight societies for cattle insurance, eight for land reclamation, eleven for cattle-breeding, two for cattle purchase, and one for irrigation. Classed under this head were also two societies for promoting thrift and savings—a type whose utility is difficult to appreciate. As it is one of the essential objects of any sound system of co-operative credit to encourage thrift and savings there seems to be no need to start separate societies for the purpose.

Societies for the settlement of disputes in rural areas by the arbitration procedure increased in number from 6 to 87 and the membership rose from 774 to 10,229 400 disputes were disposed of by the arbitrators appointed under the scheme, and hitherto, it is satisfactory to find, the decisions have been accepted and no award has been taken to the courts. Success, as Mr. Calvert points out, will depend not upon rules but upon just decisions, for the sanction behind these societies is not the power to enforce awards in courts, but the moral influence of an organized community which is brought to bear upon a 'recalcitrant member. But if Mr. Calvert truly believes that litigation is a curse to the Punjab, it is not clear why he should look askance at the work of other agencies which are seeking to eradicate the evil and fail to take advantage of the public feeling behind the boycott of law courts. Mention has been made in this journal of another very interesting type of society for the consolidation of holdings. A special staff of one inspector and two sub-inspectors was appointed during the year to help societies in the actual work of partition and the number of societies increased from 20 to 60, and the membership from 690 to 1,698. Registration is generally granted only after progress has been made with the work of partition, and sometimes postponed until mutation has been sanctioned. Repartition has been completed in 44 villages and 1,613 members have agreed to consolidate 6,350 acres, which will result in a reduction in the number of fields from 10,783 to 2,044 and an increase in the average size from three-quarters of an acre to four acres. The Local Government, however, do not attach very much importance to the mere reduction in the number of fields or an increase in the average acreage of a field, but opine that the true test of success is the actual area exchanged in consequence of the proceedings of the societies. On this aspect of the subject the report is, unfortunately, silent. The only other type of society to which some reference is necessary is the land mortgage bank which was started about two years ago. Its investments amount to Rs. 73,000, with the aid of which amount 870 acres of land have been redeemed, old debts to the extent of Rs. 8,000 repaid, and possession resumed of 163 date-palms and sojji trees. Some difficulty has been felt in extending this class of business for lack of

adequate funds raised on a long term basis, but if the Local Government can grant to the proposed Provincial Bank indirect assistance in the shape of a guarantee on long term capital it is possible that this complaint will disappear.

The number of non-agricultural societies increased during the year from 240 to 303, the membership from 14,891 to 15,371, and the working capital from Rs. 5,55,209 to Rs. 8,74,273. 116 were credit societies, 100 of the unlimited liability type and the remaining with limited liability. Little information is given in the report about the working of the credit societies. The societies with limited liability had a working capital of 3½ lakhs, the bulk of which, as in other provinces, represented the savings of members in the form of shares and reserves. The year saw the registration of an urban bank for traders and some societies for Christians, a society for Tonga drivers, and a producers' society for mistris. This society has obtained an advance from the Alliance Bank for purchase of machinery and implements. It will fix the wages of the workmen, take in orders, and distribute profits, in the shape of additions to the share capital, on the basis of wages earned. There were 74 industrial societies, 57 of which were for weavers. These had a membership of 1,204, and a working capital of Rs. 1,22,132. Sales and purchases amounted to over two lakhs. The societies are all affiliated to a central store for weavers at Amritsar, which had a working capital of Rs. 1,32,000. This society undertakes the supply of yarn and the sale of finished goods. Exhibitions of articles are organized from time to time, and local shops opened for retail trade by some societies. In addition to the central stores there were three supply unions for weavers' societies. Among other industrial societies there were 11 for dyers, three for shoe-makers, two for blacksmiths and one for oil-men. There were also five night school societies for weavers. There was one housing society for development of a model residential locality near Lahore, and there were 106 supply societies with a membership of 7,698, and a working capital of Rs. 1,81,368.

Central societies increased in number from 80 to 98, and their working capital rose from Rs. 92,42,168 to Rs. 1,30,68,527. Four of these were weavers' unions to the working of which some reference is made above, 31 were central banks of the mixed type, and 68 were banking unions of the pure type. The number of central banks increased from 27 to 31, among the new banks being one registered at Lahore for financing co-operative societies formed for Christians. The total working capital of the banks was Rs. 95,30,908, of which 11½ lakhs represented shares and nearly 4 lakhs reserves. Over half a crore was raised by deposits from individuals, and about 8½ lakhs by

deposits from societies. Inter-lending among central societies amounted to 18½ lakhs. The area of operations of all banks does not extend to the whole of a district, occasionally there are two or more banks in a district, and, in addition, there are banking unions for smaller areas. The banks held, at the close of the year, Rs. 2,31,906 as cash and Rs. 6,65,693 by way of investments. Some of them had credits with the Imperial Bank of India secured on the guarantee of individual members but as the terms were stiffened the Registrar proposes to replace the guarantee system by overdrafts on the security of Government paper. The financial position of the banking unions is not equally sound. They had a share capital of 1½ lakhs and reserve funds of about a lakh, and on the basis of this meagre owned capital they had raised a working capital of 33½ lakhs. But as the outside capital deposits from individuals was only 9½ lakhs, the position is not as insecure as it looks on paper. 10½ lakhs were obtained as loans from central banks and 10½ lakhs as deposits from societies. The total holdings in cash and securities were a little under two lakhs at the close of the year. Repayments in both types of central societies declined owing to the unfavourable seasonal conditions which prevailed during the year. The report mentions that a scheme for a provincial bank is under consideration, and the Registrar expects that if a bank is started it will put a stop to the existing objectionable practice of inter-lending among central societies and employ to advantage the temporary surplus lying idle in central banks.

The report makes no reference to the part taken by central banks and banking unions in the work of organizing, training, and supervising societies, and it may be surmised that—unlike as in this Presidency and all other Indian provinces with the exception of Madras—central banks do not assume any responsibility for supervision and inspection. It may be that central banks with their large areas of operations and having a mixed body of constituents may not be considered competent, from the strict co-operative point of view, to interest themselves in the work of supervision, but there is no reason why banking unions composed purely of societies and operating within a limited field should not have the work of inspection delegated to them. It is only in this wise that the constituents in co-operative organization can assume real responsibility and that decentralization of authority and devolution of powers can be secured. There is, no doubt, in existence a provincial union but it is an apical organization which can only begin to function if an ordered system of representation and control from the primary societies upwards is devised. At present, the union merely collects subscriptions for the payment of sub-inspectors who are virtually appointed and con-

trolled by the Co-operative Department. Real efforts are made by that department in the Punjab to study problems of rural economics and to educate its own officers and some limited sections of the public in the importance of the co-operative idea. But these efforts can only succeed and the movement be established firmly as a vigorous force in the economic life of the province if an attempt is made gradually to transfer the large departmental staff to co-operative institutions themselves and if the work of propaganda and education is entrusted to a representative non-official body like the Provincial Union rather than be performed by Departmental inspectors and sub-inspectors.

#### TRAVANCORE

The co-operative movement was introduced in the State of Travancore in the year 1915 and the last annual report on the working of co-operative societies in the State during the year 1920-21 contains some interesting information on the progress made from year to year. The movement seems to have made little headway during the first three years, but since then the growth has been rapid and societies have been organized in all except one Taluka in the State. At the close of the year under report, the total number of societies was 266, the membership 17,237, and the working capital Rs. 337,321. The corresponding figures for the previous year were 177, 11,725, and Rs. 259,060. There were 214 agricultural societies, a majority of which—128 to be precise—adopted limited liability. In British India, under the existing Act, the liability of a society of which the object is the creation of funds to be lent to its members and of which the majority of members are agriculturists must be unlimited. The report under review offers no explanation of the grounds on which a departure from this sound policy has been permitted in Travancore. The agricultural societies had a membership of 12,536 and a working capital of Rs. 185,522. A little over a lakh represented share capital and about half a lakh borrowings from the central bank. The amount of local deposits was less than twenty thousand. The number of non-credit societies is not mentioned in the report but it appears that some of the credit societies assume the additional functions of purchase and sale. 44 of the societies have been intended specially for members of the "depressed" classes. Non-agricultural societies numbered 51. They had a membership of 4,585 and a working capital of Rs. 69,394. Over fifty thousand represented the owned capital of the societies. 14 of these were societies for Government servants, 3 for teachers, 3 for Christian fisherwomen and 3 for artisans. A producers' society for weavers was organized during the year under report. There were some consumers' societies in the State, but three had to be dissolved during the year and this branch of the movement



does not appear to be thriving. The State has a central bank which has a mixed membership of individuals and societies. The bank had at the close of the last official year a working capital of Rs. 82,404 of which nearly fifty thousand represented loans from the State. Rs. 12,640 represented the paid-up share capital and the reserve and other funds amounted to Rs. 4,600. Deposits of the reserve funds of primary societies amounted to over seven thousand, so that barely a thousand rupees were raised by public deposits. It is now six years since the bank was organized and if during this period it could not raise any capital on its own credit it is difficult to discover what special service it can, in the future, render to the growth of the movement in the State. It assumes no responsibility for supervision of the affiliated societies, and over fifty per cent. of its outstandings are shown to be in arrears. Before increasing the number of societies the authorities of the State would do well to examine the arrangements for the proper financing and supervision of the societies, as otherwise the movement may be confronted with serious financial difficulties at a later stage.

## REVIEWS

1. "Consumers' Co-operation". By Sonnichsen. 2. "Consumers' Co-operative Societies" By M. Gide. 3. "The Consumers' Co-operative Movement". By Mr. and Mrs. Webb.

The progress made by the consumers' co-operative movement, which is of recent origin in this Presidency, cannot be said to have been very satisfactory so far. The chief reasons, it seems, are that the promoters, though men of enthusiasm, have not properly grasped the principles underlying the movement, and, perhaps, as a consequence, have not made that sustained effort without which growth on sound lines is well-nigh impossible. At a time like this, the three books, by such well-known writers as those mentioned above, cannot fail to be both very interesting and instructive to all interested in the movement. Each of the books is written from a different point of view. Mr. Sonnichsen gives, in a lucid style, a brief but up-to-date history of the movement throughout the world, and discusses general questions arising therefrom. M. Gide's book is a scientific treatise on the theory and practice of co-operation. The Webbs give a descriptive analysis of the present position of the movement in Great Britain, "with a survey of its relations to other manifestations of democracy, and of its possibilities for the future."

There is, however, one point on which all the three are agreed. They are strong exponents of the view of that consumers' co-operation is the only form of the movement which is truly co-operative, that the other

forms are merely subsidiary to this or must be finally amalgamated with it. Mr. Sonnichsen regards agricultural co-operative associations merely as an integral part of the capitalist system. To two of them, credit societies are co-operative only in so far as they form a branch of the consumers' movement. This is a view-point with which co-operators in this country are not likely to agree.

Mr. Sonnichsen, in his book, traces consumers' co-operation to its origin and describes the progress made in the various countries of Europe and in the United States till last year. As might be naturally expected, great prominence is given to the origin and development of the movement in Great Britain; where the essential principles of the movement were first clearly understood, and where it has made the most solid progress. These principles which cannot be too often repeated are: "One man, one vote; the restricted and fixed remuneration of capital; unlimited membership, and the return of profits to the purchasing members in ratio to their purchases." Add to this cash sales, and we have the five points which must invariably be borne in mind if the movement is to proceed on sound and progressive lines.

Those of our consumers' societies which have failed, or which are now struggling for their very existence, may find some poor consolation from the statement made by M. Sonnichsen, that it is inherent in the nature of consumers' co-operation that its initial attempts should meet with failure. That such societies do fail is a historical fact but it is not easy to understand why the failure should be inherent in the very nature of such co-operation. On the contrary, with the experience of the movement in several other countries to guide us, we ought to be careful to start such societies on sound lines, and thereby minimise the chances of failure.

One must, however, agree with the author that the movement cannot make very rapid strides unless it is federated and such federation strengthens the units and develops methods of practice. It is very difficult for a consumers' society to compete with the individual trader who is already well-established in the market. Unless such societies combine their individual purchasing powers, and are brought directly into touch with the producers, they cannot make much headway. A union of such societies for this purpose, and if that is not possible a wholesale society doing the same work, seems absolutely necessary for the progress of the movement. The existence of such a union or wholesale would, besides, give a great stimulus to the movement; and the larger the number of societies and the sounder their organisation, the greater would be the chances of its success. The success of the

union or the wholesale society will, of course, depend to a great extent on the loyalty of the members, but even here, it may be pointed out that the constituents of the English Wholesale Society gave to it in the beginning only ten per cent. of their trade.

One more point regarding the progress of the movement in Great Britain when compared with its slow development elsewhere deserves to be noted. For nearly a generation, the consumers' movement was restricted to a limited area. There was thus frequent contact between the leaders who had an opportunity of comparing notes regarding methods of management and propaganda and stimulating each other's enthusiasm. "Many a first effort has died through isolation".

After describing the work of the English and Scottish Wholesales and the necessity they found of undertaking production themselves, M. Sonnichsen briefly describes the progress of the movement in other countries. A separate chapter is devoted to the "Maisons du Peuple" in Belgium which is very interesting as showing how the consumers' movement cannot only benefit the people economically but also raise them socially and morally. It is also interesting as showing how the upper classes, alarmed at the rapid progress of the movement, attempted, though in vain, to stem its tide. It is natural in a way that the movement should have aroused such class jealousies in Belgium where it allied itself, from the beginning, with one political party—the Socialists. Such an alliance, though it strengthened the movement at the commencement, could not but be a source of trouble in the end. co-operation to be sound and vigorous must steer clear of existing party politics. This does not mean that it should take no interest in politics at all. On the contrary, as has been well pointed out by the Webbs, as a result of the experience of the movement during the war, co-operation should have a political programme of its own, first to defend itself against restrictions imposed through the influence of vested interests, and, secondly, to regulate the new social conditions which the movement creates.

The War, contrary to the expectations of all, had a stimulating effect on the growth of the movement everywhere. Co-operative societies were free from the profiteering indulged in by the private trader, and thus attracted a much larger membership and custom than before. Co-operative societies were used as distributive agencies even in Russia, where the growth was marvellous, and where though Bolshevism was against the movement at first, co-operation was the only economic and industrial system to survive.

In the second part of his book, Mr. Sonnichsen deals with co-operation as a factor in the social revolution. One of the three chapters

deals with "Co-operation and Socialism" and another with "Co-operation and Labour." In the former, the affinity and divergence of the co-operator and the political socialist are described. The affinity lies in that they both hate the inequity inherent in capitalism and have both the desire "for a fundamental democracy that shall penetrate below the superficial shell of a mere political government." But they differ inasmuch as consumers' co-operation is against the doctrines of both State ownership and syndicalism. The socialist would bring in legislation to carry out his programme. "Co-operation would not appeal to the arbitrary method of legislation to remove its opponents from the field. If it does so, it will do so in open competition on a fair field, and the victory it achieves will be through its own inherent superiority over its opponents."

The attitude of consumers' co-operation towards labour is an important question discussed in the last chapter, but it cannot be said that the author has arrived at any satisfactory conclusion. In one sense, the consumers' co-operative movement is a labour movement, at least in England where most of its members belong to the working classes. This might explain why co-operative societies gave substantial help to labour during the coal strike of 1911, in the Dublin strike of 1913, and still more recently in the railway strike a couple of years ago. But the relations of the societies towards their employees, especially in the big factories where they carry on production have not always been smooth. In fact, such employees have a separate trade union of their own, which guards the supposed rights of its members. Strikes are not entirely absent, and there was one such strike a year or two ago in a big co-operative factory in Switzerland. How to meet the demand of the employee to have a share in the profits, when the fundamental principle on which the movement is based is elimination of profit, is a question to which no satisfactory solution has been offered.

M. Gide's book has been rightly regarded on the Continent as the standard work on consumers' co-operation by a distinguished economist. The whole subject has been very thoroughly and logically analysed and the book will repay close perusal by every one interested in the movement. We shall deal here only with three or four of the most important chapters devoted to questions which seem to us to be of great practical importance to the consumer's societies in this Presidency at present. The first of these deals with "Various Systems of Sale". The author favours (1) sale at current price (2) sale for cash, and (3) sale to the public. As regards (1), it is pointed out that the alternative of sale at cost price is favoured by certain classes of people who only can pay for expenses, and pay no heed to the social and moral aspects of the

movement; and also by people who are so poor that their income is insufficient to supply even the minimum of nourishment. The objections to the system of selling at cost is that it exasperates the local trader by a price-cutting competition, and prevents a society from selling to outsiders; above all, it prevents a society from attaining some of its most important objects from the co-operative point of view, namely, saving, insurance, production, education, or propaganda work, or even the building up of a capital, because this is best done by the surplus profits being left in the society as deposits. The system of getting a good round sum every six months or year, instead of petty saving at each purchase, is greatly favoured by workmen in England and Belgium, so much so that in some societies articles are sold even above the current market price in order to augment the dividend. To the advantages of sale at current price pointed out by M. Gide, we may add one more, namely, that it enables occasional and unforeseen losses to be recouped out of the surplus obtained by selling at a rate above the cost price.

There are so many people here who think that credit sales would improve the position of our societies that they will be surprised to see all the three experienced writers strongly supporting sale for cash only. Sale on credit means locking up of capital, a lower turnover, and bad debts, which in their turn lead to higher prices that both the good and the bad customers have to pay. It is, besides, not sufficiently realised how the habit of buying without money leads to useless expenditure and thereby defeats one of the main objects of co-operation—the encouragement of thrift. If credit sales cannot be avoided, it is essential that there should be limits laid down both as regards the sum and the period, and credit given, as far as possible, only for goods of a durable nature.

It has been argued that selling to the public is outside the scope of a co-operative society as it should concern itself only with its members. Such sales are, therefore, prohibited by law in Germany. They have, however, this advantage that they enable larger sales and a more rapid turnover, while they are a very efficacious means of propaganda for co-operation and for attracting a larger membership.

The distribution of profits amongst members in proportion to the amount of their individual purchases has been described by M. Gide as the master-stroke of genius of the Rochdale pioneers. This method, in fact, amounts to nothing less than the abolition of profits. The amount which is available for distribution will vary with the success of the society, which will depend mainly upon good management, upon loyalty of members, upon the absence of competition, and upon the way in

which selling prices are fixed. The amount so distributed can be used in various ways. Some members may spend it on pleasure, but there is a growing tendency to keep this as a saving in the society itself, or to use it for insurance, or for acquiring houses by annual payments. A part of the surplus available is also spent on co-operative education.

There is a fairly large body of people in this Presidency who think that their societies cannot be run successfully unless they are allowed to borrow large sums from central banks or other outside sources. They will be surprised to hear that consumers' societies have been started and have succeeded without any original capital except a small entrance fee. In fact, one of the main reasons of the success of such societies in Europe has been that they do not require a large capital, for by means of rapid sales, the capital is renewed quickly, so that a small capital is enough for a large business. The capital consists usually of shares, dividends left as deposit, and occasional small loans from members.

One of the most useful chapters in M. Gide's book is that in which he describes the causes of the success or failure of consumer's society. Briefly stated, these are: (1) management, (2) overlapping, (3) character (including loyalty), (4) racial characteristics, (5) environments. As regards the last, it is worth noting that it is chiefly in industrial districts that consumers' co-operation is seen to be thriving. Rural areas are not usually favourable for the growth of this form of co-operation.

Mr. and Mrs. Webb's book is written in quite a different style. The authors give us not only a detailed survey—in itself very illuminating—of the movement as it exists in Great Britain, but also show what an important force it is bound to be in the growth of democracy in the near future. So far as the economic aspect of the movement is concerned, they say "to us the social and political significance of the co-operative movement lies in the fact that it provides a means by which, in substitution for the capitalist system, the operations of industry may be (and are increasingly being) carried on under democratic control, without the incentive of profit-making, or the stimulus of pecuniary gain." And again, "to organise industry from the consumptive end, and to place it, from the start, upon the basis of production for use instead of production for exchange, under the control and direction, not of themselves as producers but of themselves as consumers, was the outstanding discovery and practical achievement of the Rochdale pioneers." A brief but lucid description of the formation and work of a co-operative "store" is given in the following paragraph from the book:—

"A co-operative society is an association which usually begins by the recruiting of a hundred or so of members, who promise to deal at the

new store, and to take one or more shares of a pound each, which they may pay for by small instalments. With the exiguous capital thus furnished a shop is rented and a manager is engaged. The stock is at first limited to the articles of grocery in most universal demand, which are obtained either from enterprising wholesale dealers, or at the present day, if the committee is wise, entirely from the co-operative wholesale society. Retail prices are usually fixed at those ruling in the neighbourhood, the excess over wholesale rates serving to cover expenses, allow for depreciation of plant, provide a reserve fund, and finally supply the dividend which experience proves such an attraction to members. On making any purchase, however small, the customer receives a paper or metal voucher, stating its amount. At the end of each half year, the ascertained surplus is, after payment of the salaries of the manager and shop assistants, of a fixed interest on capital, and of all other expenses, returned to the members in exact proportion to their purchases."

There were 1,379 societies of this kind in Great Britain in 1920, which had secured the greater part of the custom for ordinary groceries of nearly a quarter of the population. Their membership exceeded  $4\frac{1}{2}$  millions. Their share and loan capital was about £86½ millions, and total sales £254 millions, or about £56 per member. The English Co-operative Wholesale Society sold goods worth over £105 million. These imposing figures give one an idea of the enormous strides which the movement has made in Great Britain. It must, besides, be noted that the membership is largely from the labouring classes, and that the working capital is almost entirely supplied by themselves. In 1919, the retail societies had a share capital of £65½ million, while they had borrowed only 8½ million mostly from their own members. This will clearly show to what extent in a country, which is the home of this form of the co-operative movement, societies depend upon their 'own' capital for carrying on their business, and how little they depend on outside sources. In fact, before the War, many societies found they had more capital than they wanted for their business and were thus induced to invest the surplus in starting factories for producing articles wanted by their members.

With the recent increase in membership and business, the internal organisation of the movement has undergone various changes. The place of an honorary committee has been taken by a paid 'executive', divisional meetings of members have been arranged, and in big societies, a deliberative assembly—a co-operative parliament—is elected. It must, however, be admitted, that a large number of members take little interest in the practical working of the societies, the attendance at the meetings is usually small, and many interest

themselves in the movement only in so far as it is advantageous to them economically, and ignore its moral and social aspects. One result of this is the much reduced proportion of the surplus that is now spent on co-operative propaganda and education.

The chapter on "Federal Institutions" describes the growth and development of the two co-operative wholesale societies, and the constitution of the Co-operative Union which performs some of the functions which our Central Institute has undertaken now. It may be noted that the authors are not quite satisfied with the work of the Union, and they attribute its unsatisfactory working mainly to what is called the "unnatural conjunction" in one and the same body of two such movements as the consumers' and producers' movements. It is no wonder that when, later, the authors try to show that these two could be reconciled, their attempts do not meet with much success.

Two important chapters are devoted to the defects of the movement in Great Britain, and its future. The main defects are, persistence of credit (though this is only 8 shillings per head out of £56), "dividend-hunting" (meaning not dividend on shares but what we here call "bonus" on purchase) overlapping, political impotence of the movement, and the weakness of the Union. The authors are very hopeful of the important part which the movement is going to play in the future. "A hundred years hence, we venture to predict, school text-books and learned treatises will give more space to consumers' co-operation, its constitution, and ramifications, than to the rise and fall of political parties, or the personalities of successive Prime Ministers." To this, every true co-operator who has been watching the political drama now being played in Europe, cannot but say "Amen."

J. A. M.

**An Introduction to Co-operation in India** By C. F. Strickland, I. C. S.  
(No. 1, India of To-day Series, 1922.) (Humphrey  
Milford; Oxford. Rs. 2/.)

Messrs. Humphrey Milford are publishing a new series 'India of To-day' under the general editorship of the Central Bureau of Information, Government of India. The book under review is volume No. 1 of the series, recently published. It is a small booklet, in which the author attempts to place before his reader, within a small compass, the main features of the co-operative movement in India. The first two introductory chapters are useful to the lay reader and constitute a very interesting reading. The first exposes the evils of the modern capitalistic system, discusses the efficacy of various remedies mostly socialistic, and convinces the reader in a most homely



style, that they are all but palliatives and not a cure for the troubles of society. He then goes on to prove that co-operation is the only specific remedy and indicates the voluntary and democratic value of all co-operative effort. After taking a rapid survey of the achievements of co-operation in England and Italy, he draws the attention of the Indian co-operator to certain instructive features—the distressingly materialistic and capitalistic tendencies of the British co-operative consumer, and the industrial and labour societies in Italy which he strongly recommends for a country that is just crossing the threshold of incipient industrialism. After this general survey, the author introduces the reader to the Indian co-operative movement, and gives a concise, critical and interesting account of the chief features and aspects of its history in the last five chapters. He explains the importance of rural credit, examines the possibilities of co-operative consumption and supply, touches on the other forms of co-operation, refers to the higher stages of the co-operative pyramid, and examines the part played by official and non-official agencies, respectively, in the development and control of the movement. This account is full of useful and suggestive criticism. The author, however, seems to distrust the efficacy of non-official control of the movement and like the MacLagan Committee feels convinced that the Registrar and his staff must continue to dominate the movement in India for sometime to come, and that ‘the co-operative independence of officials is not an axiomatic right.’

As to the general merits of the book it is sufficient to observe that, as the author himself indicates by its title, it is simply an introduction and not a text-book on the subject. Even as it is, however, practically only half the book is devoted to the treatment of the Indian movement, and important questions such as co-operative financial organization, education and audit, and the relation between the Government and the movement are summarily disposed of. But we have no hesitation in recommending the book to the general educated public, who, we feel confident, will be impressed by its perusal with the vast potentialities of co-operation in India.

S. G. BERR

Report of the Second United Provinces Co-operative Exhibition, Allahabad, 1921.

The Bombay Provincial Co-operative Conference Committee propose to hold the next Provincial Co-operative Conference in Bombay on the 9th, 10th and 11th of December 1922, and to organise in connection with it an exhibition of co-operative products. There can be no doubt

that such an exhibition will be of great use in several directions. It will greatly stimulate the small industries of the Presidency organised on co-operative lines and will also be of considerable commercial and educational value. One of the essential factors of the success of the co-operative movement among producers is the securing of a market for the products turned out by producers' societies, and it is in this direction that an exhibition will prove to be of very great value indeed by placing the consumer as also the middlemen in direct touch with the small producers—a great advantage doubtless to all, consumers and producers alike.

In this connection, the Report of the Second United Provinces Co-operative Exhibition held at Allahabad at the the time of the Provincial Co-operative Conference during the Christmas week of 1921, will be of much interest to Bombay co-operators and to the organisers of the proposed exhibition in Bombay. It appears from the Report that while their first exhibition was almost entirely financed by the co-operative institutions of the Provinces, the second was assisted materially by a grant from Government of Rs. 2,500, which formed more than 50 per cent. of the total receipts. With this assistance it was possible to widen the scope of the Exhibition. Co-operative institutions cannot afford to make adequate financial contributions for a large venture. In a good cause, fraught with big possibilities, it is clearly the duty of the Government to make handsome contributions; but the making of grants to such a large extent as 50 per cent. is not very desirable as the cause is likely to suffer in popular estimation from official guidance, control or interference which usually follows such grants. A mass movement like the co-operative movement in order really to take root ought to be free from official leading-strings, and, therefore, largely financed by the people themselves. The collection, arrangement, and supervision of the entire organisation of the Allahabad Exhibition was carried on by the Assistant Registrars of Co-operative Societies assisted by a small advisory committee. In view of the extreme usefulness and importance of such exhibitions and in view of the popular character of the movement, it would have been much better had the work of organisation been entrusted to non-officials, assisted by a small advisory committee of the leading co-operative officials of the Provinces. A third striking feature of the Allahabad Exhibition was that it was an exhibition of the products of small industries and not a true co-operative exhibition. Of the 2,000 industrial exhibits only 600 were from co-operative societies. The exhibits consisted mostly of articles of general usefulness, such as cotton and woollen cloth, hosiery, leather manufactures, furniture and cabinets,

glass-ware, hard-ware and cutlery. Demonstrations of improved tools for working leather, of silk and cotton weaving, of namda-making, and a weaving competition formed interesting features of the Exhibition. The Exhibition was doubtless a great success; it was visited daily by large crowds of persons of all classes and the sales too were encouraging.

The proposed exhibition in Bombay is likely to differ from the Allahabad Exhibition in that it is being organised under the auspices of the Bombay Central Co-operative Institute, the secretaries are leading non-official workers, the exhibits are to be confined to the products of co-operative societies. Producers' societies, labour societies, housing societies, and consumers' societies too—if they have taken to manufacturing on their own account—not only in this Presidency but all over India, are to be invited to send exhibits of their products, models of houses built, and photographs of members at work. In fact, what is proposed to be held in Bombay will be in effect the First All-India Co-operative Exhibition.

H. L. K.

**The Earliest Agricultural Organization in India and its Methods.** By Prof. P. Basu.

This little pamphlet is a reprint of the paper read by the author before the Indian Economic Conference held in Bombay in the year 1918. It introduces us to a study of the antiquities of Indian agriculture as disclosed in the Rigveda and as such awakens the interest of all antiquarian inquirers. This subject for study is extremely interesting and all students of agriculture will be interested to learn that the agricultural organization of the early Aryans was much more complex and highly organized and systematized than one is likely to believe as having been achieved in those early days. Their system of cultivation, as shown from abundant proofs, had emerged from a crude state. The processes of cultivation were systematically distinguished and bore different names, which is at once an indication of the superior nature and the advanced organization they had. In the pamphlet, which is an independent contribution on the subject worthy of study by all concerned, the author succeeds in clearing establishing his thesis. He begins with a preliminary study of the rights in the soil that subsisted in those days and traces the growth of the idea of ownership in land in Greece and Rome and Teutonic Germany. He assigns the establishment of the institution of private property to an age earlier than the Rigvedic time. The next question that engages the author's attention is whether the Aryans in this stage lived a pastoral or an agricultural life. In reply, we are told

that the Indo-Aryans in the age of the Rigveda were pastoral but at the same time expert agriculturists with individual ownership in land. They knew, the author tells us, the art of fertilizing the soil by artificial means, had some sort of irrigation system, and were used to manure the soil for improving its natural properties. The process of sowing and reaping the crops, threshing and winnowing and the methods of measuring corn testify to the progress they had made even in the time of the Rigveda. Coming to the exact processes of cultivation we are informed that the plough was in common use, being drawn by six, or eight, or 12 or even 24 oxen. In studying the products of agriculture of the time the author regrets that nothing definite can be said, from the scanty material in the Rigveda, as to the kinds of grains produced except the Dhana and Yava, meaning probably barley and rice.

K. R. K.

**Increased Production.** By Lipson. (Oxford University Press.)

The object of this little brochure is to lay emphasis on the fact that production can be increased to an unlimited extent as the earth is rich and human labor abundant provided right methods are adopted and true ideals of production held in view. Though the pamphlet tells us nothing new, its arguments have been marshalled with much force and freshness to make it interesting reading. It starts with an assumption that the present industrial system will continue and goes on to discuss how labor can elevate itself. In an age when progressive civilization means growth of artificial life all round and multiplication of conventional necessities and unnecessary wants, the author rightly calls attention to the true ideal of production, namely, propagation of means conducive to the health and happiness of the community as a whole, and not the enrichment of a few lucky individuals at the expense of others. Having thus justified increased production on ethical grounds the author goes on to discuss how successful production is being hindered by industrial unrest from time to time. He attributes the causes of industrial strife, on the one hand, to labor as it is labor itself that looks askance at reduced cost increased production brings, and to capital, on the other, in that it seeks the first opportunity to reduce wages and lengthen the hours of work.

His verdict is that both the parties to the crisis must take broader views of the whole situation. Better facilities for labor to improve its status should be conceded so that better efficiency be secured in the process of production. In order that national production can be

successfully organized on scientific lines. the author emphasises the need for more brains and a wider outlook among those engaged in production, avoiding waste of human as well as mechanical energy and excessive competition in securing means of production.

K. R. K.

**The Dawn of Modern Finance in India.** By Prof. V. G. Kale. (Arya Bhawan Press, Poona. Rs. 2.)

This small introductory volume on the subject of Indian finance written apparently, it seems, for the use of students and others anxious to know something of the present Indian financial position, is one more welcome addition to the growing economic literature in India. Prof. Kale tells us in his preface that he is at work a larger volume on the subject and it is difficult, therefore, to understand what special needs the present book is intended to cover. The greater portion of the work is devoted to a summary of the financial position of 1859-60 and to increase its usefulness one special chapter on pre-Mutiny finance is added. A noticeable feature of this small book is that the author has studiously avoided giving his personal views, while many problems are under discussion, which he reserves for a special concluding chapter headed 'Then and Now.' There he affords a glimpse into his personal views on many important present-day problems of India. A feature of this volume is perhaps the studied simplicity with which many topics are discussed, so that the greater portion of the material packed will be helpful only to beginners in the realm of Indian finance.

K. R. K.

**Agriculture and Sylviculture.** By C. V. Armugam Mudaliar. (S. P. C. K. Press, Vepery, Madras.)

This is a booklet of about 75 pages written with the idea of placing before the public the author's suggestions to realise, as he puts it, a maximum of satisfaction with a minimum of effort from the operations in agriculture and sylviculture. The suggestions of the author are based on the principle that the productiveness in different places in a country depends, other things being equal, on the varying degree at which the temperature and humidity of the atmosphere exist. The essential conditions for obtaining the best results are that the temperature of the atmosphere should be below 90°F and the humidity in it above 50 per cent. At present, the energy, coming with the solar rays falling on the lands and mountains devoid of vegetation, simply removes the moisture, and the upward movement produced acting as a negative force decreases the chances of rainfall.

In order to bring out the right conditions, Mr. Mudaliar advises every one to increase the number of trees and affirms that trees are like a magician's wand in the hand of man for obtaining the best results in agricultural operations from nature, for it is difficult to obtain satisfactory results without the presence of trees howsoever hard the cultivator may work. The author proposes that a systematic attempt must be made by villagers to increase the number of trees, the Forest Department should plant trees on mountains and lands devoid of vegetation, and the authorities in charge of roads should contribute their share in the plantation of trees. It may be admitted that trees, where there are suitable conditions to plant them, will help in lowering the temperature and increasing the humidity in the atmosphere, but it is doubtful whether anything approaching the extraordinary hopes held in the matter by the author will ever be achieved.

D. L. S.

*Agricultural Journal of India.* Vol. XVII, Part IV. July 1922

The last issue of the *Agricultural Journal of India* contains the reprint of an interesting paper presented at an American Conference on the Agricultural Situation, held in January last. In this paper, which is full of numerous hints and suggestions for the agricultural expert, Mr. Raymond A. Pearson of the Iowa State College of Agriculture and Mechanic Arts, pleads strongly for a comprehensive and well-defined national policy of agricultural research—a policy which should encourage the co-operation of all public agencies engaged in such research and also provide for efficient supervision, just the amount of each sufficient to produce the highest efficiency and not the excess which would hamper it. Agriculture, he states, is the largest industry of the United States, about forty per cent. of the population being dependant on it for their livelihood. It furnishes practically all the food, all material for clothes, raw materials for the larger part of the manufacturing industries, about one half of the gross earnings of the railroads, and a market for nearly one-half of all the manufactured products in the market of the United States. Each farm being an independent unit, the character of the homes on the farms, he observes, is bound to exercise a profound influence on the character of the nation. The development and efficiency of agricultural research must, he holds, keep pace with the increase of population, and he points out how the present research agencies were unable to meet the daily growing demands of agriculture and to solve new problems that are constantly arising with the growth of population and with quicker means of transport. He quoted cases of remarkable achievements of research in the field of agriculture, how the farmers were

able by means of information supplied to them to reduce the cost of production of pork from 44 cents to four cents per pound and how losses from the Hessian fly were reduced to the extent of twenty million bushels of wheat in four years. He also refers to the eradication of pests and plant diseases which turned the farmers' efforts to naught and to the control of Texas cattle fever and the general improvements brought about in agricultural methods. Agricultural research presents two aspects, one relating to the solution of new difficulties as they constantly arise and the other to improvements of existing methods. A comprehensive scheme, should, Mr. Pearson adds, not only cover both these aspects, but also include investigation of problems connected with reforestation on farms, the betterment of rural life, the conservation of soil fertility and allied subjects. Strenuous efforts are being made, he remarks, to take away foreign markets from their hands and even to invade the markets of the United States, and the only way of overcoming the disadvantages of more expensive labour and higher living standards prevailing in the United States lies in the acquisition of superior knowledge by means of an efficient system of agricultural research.

Mr. Pearson next outlines the essentials of such a policy :—

(1) The awakening of public opinion to the need for such a policy, an intelligent appreciation of agricultural research, especially among leaders and public men, a genuine respect for it, an understanding of its importance and its requirements, are the primary essentials in developing an effective national policy.

(2) Efforts should be made to encourage suitable young men and women to prepare themselves for research work by providing first special fellowships and scholarships to enable such persons to complete their fundamental training, and, later, assistantships to bring them into helpful contact with older and well-trained investigators. Ample funds should be provided both in order to make the remuneration of these men sufficiently attractive and also to ensure the completion of experiments once undertaken.

(3) Assurance of permanent income by means of a policy of national appropriations and enlargement of these by small increments, say from one cent to four cents per capital for a few years until they have reached amounts commensurate with present demands.

(4) Provision for more definite and constructive co-operation by research agencies than at present and of certain supervision to assure the proper use of public funds. A reasonable amount of supervision is stimulating. An excess is deadening.

Y. R. M.

## EDITORIAL NOTES

With the death of Sir Vithaldas Damodhar Thackersey there passes away from the co-operative life of this Presidency one of its most distinguished figures. Sir Vithaldas's interest in co-operation does not date back to the starting of the Bombay Central Co-operative Bank—with which, of course, his name will remain indissolubly linked. He was a keen supporter of the movement even before 1911, and the earlier Registrars, Mr. J. Macneill and Mr. C. S. Campbell, often fell back upon his generosity in financing the societies they started in various districts. The Bombay Urban Co-operative Society which he started was only a fore-runner of the vaster scheme for a central bank for the Presidency which he, in association with the Hon. Mr. Lalubhai Samaldas, brought into being in 1911. In those early days, co-operation was looked upon by some eminent publicists as a new-fangled fad of Government, a device to hide the skeleton of indebtedness in the official cupboard. It was not recognized as one of the most effective forces in the task of nation-building, and it needed no small degree of moral courage to stand by the pioneers and to fight their battles. It also needed much strength of conviction, grasp of business, and financial acumen to struggle with the forces that were at work within Government to withhold the indirect form of State aid which Sir Vithaldas claimed for the movement and to combat the *laissez faire* doctrines which dominated the counsels of the Secretary of State in those days. Out of those discussions there emerged one basic principle of co-operative finance, for establishing which co-operators not only in this Presidency but throughout the country, must ever remain grateful to Sir Vithaldas. This principle was that the basis of any sound system of agricultural finance is the command of adequate long-term capital, and that in the conditions of this country it was impossible to raise such capital without some form of State aid. The system of guarantee for the debentures of the Bombay Central Co-operative Bank, which Sir Vithaldas and Mr. Lalubhai Samaldas got recognized is, again, an achievement which is worthy of all merit as evidence of skill in public finance. Of Sir Vithaldas's work at the Bank it is difficult for one who was closely associated with it to speak too highly. In the earlier days he left nothing undone and spared neither his time nor his energy nor his money in developing the business of the Bank. The smallest of problems did not escape his attention, and he devoted thought and care to these to a degree inconceivable in a person of his eminence in the business life of this Presidency. And it was not as a commercially-minded financier or



'business-man that he viewed his task at the Bank. Where safety and security were postulated there were no responsibilities he was not prepared to assume, no surplus margins he did not agree to forego. He was, lastly, a sound co-operative banker in-as-much as he recognized the true significance of the role of his Bank in the financial structure, much earlier than many others did. Its task, he always insisted, was not to provide capital to indigent or mushroom societies and banks, but to supplement local resources and to withdraw when local resources had been developed. Therefore, although originally it was capitalistic in constitution, in Sir Vithaldas's scheme of financial organization there was no room for the capitalist or exploiter out merely to earn profits, having no thought of developing self-help and thrift, the two cardinal principles of co-operative credit.

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Sir Vithaldas' interests in the movement were not, however, confined to the narrow sphere of finance. He was one of the first to recognize the importance of education to the growth of the movement and broached the subject at successive Provincial Conferences. But he was not content merely with academic discussions which led nowhere; he showed in a practical shape his interest in the promotion of elementary education among members of co-operative societies by making a handsome endowment for the opening of night classes for adults in selected villages with co-operative societies. In this scheme lies the germ of a future programme of adult education in rural areas, and the system of night classes for members has already been extended to the Punjab where separate societies are being registered to run the schools. For this liberal endowment for the spread of primary education among rural co-operators, the movement cannot be sufficiently grateful to Sir Vithaldas. In the organization of co-operative societies, Sir Vithaldas played no small a part in the early days, and the group of societies on the Nira Canal owed their existence mainly to his organizing ability. In Karad and Walva in Satara, even now villagers speak with reverence of the Bhatia millionaire from Bombay who visited their villages, talked to them—in his own peculiar Marathi—of the benefit of co-operative credit, and helped in the starting of their societies. His was, again, one of the earliest attempts to organize societies among factory-workers, for he started in 1912 a group of societies among workmen in his own mills. At the Provincial Conferences, Sir Vithaldas was an outstanding figure, and he always took a vigorous part in the discussions. He represented Bombay at several of the annual conference of Registrars from various provinces, and took considerable part, in the Select

Committee and in the old Imperial Legislative Council, in shaping the existing legislation which governs the co-operative movement. As a donor to the cause of co-operation he was almost without an equal in Bombay, and for conferences or training classes he always gave willingly and handsomely. The construction of a building for the Central Co-operative Institute in Bombay had occupied his attention during the last few months before his death, and there is no doubt that with his energy and enthusiasm he would have provided the Institute with a habitation of its own very much earlier than will now be possible. The loss of so distinguished and so staunch a co-operative worker has naturally cast a gloom on the movement in this Presidency. But it is the purpose in life of such great men to inspire those they leave behind to higher and more intense activity, and if co-operators in this Presidency catch this impulse, Sir Vithaldas will not have lived for co-operation in vain.

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In July last, the Institute adopted at a general meeting the report of work for the year ending 31st March 1922, a copy of which is enclosed with this number of the Quarterly. The report is an exhaustive record of the various activities of the Institute, although it needs to be supplemented by the detailed reports of the various Branches. The devolution of work to the Branches formed the most noteworthy feature of the year under report, for the decentralization has already stimulated considerable local enthusiasm for co-operative work, particularly in the Karnatak and in Gujarat. In Bombay, the City Branch has undertaken a vigorous propaganda, and a sub-branch has been started in Parel with the aid of the workers in the Social Service League. The Konkan has a separate branch for itself, and a branch was also opened in Sind sometime before the close of the year under report. The number of the magazines was added to by the starting of a Sindhi journal, and the Karnatak has now an independent journal of its own. Thirteen new leaflets were published in English by the central office, and the stock of vernacular literature on co-operation is being enriched by new publications financed by the Institute. The control of the night schools for members of co-operative societies, started with the aid of an endowment from Sir Vithaldas, was transferred to the Institute during the year, and the report contains the results of the first four years' working of the scheme. 84 schools were opened during the period, 442 students were examined for the first year's course and 25 for the second year's course. The total expenses incurred hitherto amounted to Rs. 32,251. Some ten local conferences were organized during the year in various parts of the Presidency. The Provincial Conference for 1921 was also arranged under the auspices of the Institute.

and the innovation of a joint session of the Conference with the Agricultural Conference was very much appreciated. The senior and junior training classes for secretaries were held at local centres under the auspices of the respective branches of the Institute, but the English training class was arranged in Bombay. Courses of training for bank managers and honorary organisers were provided for the first time, and arrangements were made for practical training, in collaboration with the Provincial Bank. Considerable thought was bestowed, during the year under report, on the modification of the constitution of the Institute in view of the organization of branches, and a scheme of representation has been devised which will enable the rural co-operator to influence the policy of the Institute and its branches. A plot of land has been secured from Government for the construction of a building for the Institute and arrangements have been made for financing the project. The only matter for regret is that the number of individual members and the financial resources of the Institute do not grow in proportion to the extension of its activities and the transfer to it of responsible duties from the Co-operative Department. Reliance has still to be placed on subventions from Government and donations from public-spirited citizens. It will, however, be some years before co-operative institutions will be educated to their financial responsibilities for the maintenance and extension of the movement, and, even in Ireland, the finances of the I. A. O. S. were a matter of intense concern in its earlier days. Self-government in any form is incapable of attainment without sacrifice and arduous labour, and as its methods of work are sound and its workers are animated by a spirit of selflessness there is no need for those connected with the Institute to be disheartened by financial difficulties through which educational and propagandist bodies have inevitably to pass in the initial stages of their existence.

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The Government of the Central Provinces in their review of the recommendations of the Committee of Inquiry enunciate  
 State Control, some general principles which, in their opinion, should  
 but no Aid govern the future relations of the State and the co-operative movement. One of these propositions is that in the interests of the co-operative movement itself, Government must disclaim responsibility for the provision of direct financial assistance to co-operative institutions. In laying down this policy, the Local Government evince an inadequate appreciation of the experience of numerous countries, with such diverse conditions as France or Japan, Hungary or Italy, Germany or the United States of America, in all of which the State has had to extend assistance to the co-operative movement and in almost all of which State aid is made available for the financing of agricultural improvements. And apart from the concern of the State for other forms of

co-operation. in India, where the State claims the privilege of and enjoys financial advantages from recognition as the supreme landlord, its responsibility for the financing of agriculture is enhanced. While Government are always extremely keen on repudiating all financial responsibility, they are nevertheless anxious to bear the burden of responsibility for control and direction. For they naturally assume that in this backward country of ours no movement, social or economic, can flourish save under their benevolent patronage, such patronage, however, carefully excluding any element of financial assistance. So the second dictum of the Local Government is that in the interests of the public and of the co-operative movement it is the duty of Government to provide adequate external supervision for co-operative banks, dealing with a large and constantly increasing amount of money deposited by the public. The Registrar, therefore, should continue to remain the expert "guide, philosopher and friend" of societies and banks, introducing them to the financial world, and exercising powers of control, so we are told, only to the extent necessary to inspire confidence in his recommendations. The alternative to this is, the Government proceed to observe, to place co-operative societies on very much the same footing as joint stock companies in their relationship to the State, and to introduce a fresh enactment on the lines of the English Friendly Societies Act. How this would be objectionable, if a sound system of federal control is evolved, Government do not take the trouble to explain, believing probably that the alternative was so fraught with risk that co-operative opinion would shrink from espousing it. All the objection that they can raise against this alternative is their view that it will involve the withdrawal of certain privileges and exemptions. Now these concessions were granted not because Government extended their patronage to the co-operative movement, but because co-operative societies represented an agency for ameliorating the condition of agriculturists and persons of small means whom the State wished to befriend and whose efforts at economic organization the State viewed with sympathy. It is curious to observe how, under the new era, what was originally intended as an indirect form of State assistance for the agriculturist and petty artisan degenerates into a concession to be granted to institutions provided they subject themselves to the particular degree of State control which finds favour with our various Local Governments from time to time.

The Local Government accept the view of the Committee of Inquiry that responsibility for the control and conduct of audit should vest in the Registrar. This position must be accepted under the present system of co-operative organization in India, but very few will agree with the view of the Local

Registrar's  
Powers

Government that it would be waste of time and money to maintain the Registrar and his Department unless they can be invested with some powers of correction which he can exercise without undue interference. The argument that the system of independent outside audit has no meaning unless the responsibility for audit is fortified by the power to enforce observance of audit notes, if carried to its logical conclusion, would convert central banks and societies into quasi-official institutions like municipalities and local boards, where even such external interference is now rightly resented. The sole duty of Government is to conduct impartial independent audit or inquiry, have the facts brought prominently to the notice of the general body of members, and leave it to the good sense of these and self-governing federal institutions within the movement to take remedial action. For this reason, it is not possible to agree with the Local Government's decision that the Registrar should have, subject to their approval, power to annul the election of unsuitable office-bearers, and to appoint paid or unpaid workers to manage the affairs of a central bank when otherwise in his view the business of the bank cannot be carried on. It will, in the opinion of the Local Government, be necessary to exercise these powers to secure punctual submission and publication of accounts and returns, and to ensure compliance with audit notes and the observance of correct banking methods. The question of audit is dealt with in a separate note while it may be remarked that the proper authority to ensure the observance of banking methods is the higher financing authority and the local and provincial Council of the Federation. Publicity, diffusion of education in banking practice and principles, and the stoppage of financial facilities can work wonders. The due submission of returns and accounts can be safeguarded by the insertion of mildly penal clauses, as under the Companies Act or the English Friendly Societies Act. The intervention proposed to be exercised in the selection of personnel is even more reprehensible than the other suggestions, although the Local Government are confident that no Registrar can exercise his authority in a way which will hamper the promotion of self-help and thrift or discourage honorary workers. Experience in many parts of India shows that Registrars can, even without the power of intervention suggested, turn out of the movement good and honest workers, if these are found unamenable to official reasonings or otherwise inconvenient. The central banks, it must not be forgotten, are independent self-governing institutions which have raised their own capital, are legally responsible for their funds, and are independent of financial assistance from the State. The Local Government very rightly leave the banks free to dispense with an introduction or recommendation from the Registrar in getting finan-

cial assistance from outside and it is only in the fitness of things that their selection of personnel should be unfettered. There is only another point in relation to the Registrar's powers to which reference should be made. The Committee's proposal to increase the number of auditors paid by Government is not approved, for the Local Government believe that as the movement expands a non-official agency for audit should be evolved. It is, however, no progress towards self-government to have a staff paid by co-operative institutions but controlled virtually by Government, and the only sound line of development is the introduction of a system of licensing such as that described in a subsequent note.

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The recommendation of the Committee of Inquiry which drew the largest measure of criticism was the suggested liquidation of the Provincial Bank and the opening up of direct relations between central banks in various districts and local branches of the Imperial Bank of India. The Local Government, it is satisfactory to find, do not favour the proposed dissolution of the Provincial Bank but suggest its re-organization. This re-organization will not cover the re-admission of individuals as shareholders, nor do Government seem to contemplate the association with this institution of men of influence in banking circles and with business experience. They merely suggest the redistribution of shares among central banks and societies on a more even and equitable basis, and insist on the appointment of a responsible manager with banking experience. It will be, no doubt, the duty of this officer to inspect the offices and affairs of central banks and to advise their directors on banking matters; but if the Provincial Bank is to command good credit and wield influence as the apex bank of the Province, it will be desirable to strengthen it by enabling it to have a board of directors who will not merely be representatives of central banks from various parts in the Provinces. There should be a nucleus of men who will belong to the place where the Bank has its office and who combine with their local knowledge and experience influence in the world of business. The Local Government hold that central banks should not remain "so many tied houses," but should have unfettered discretion in the choice of a financing agency. But it is not fair, on the one hand, to prescribe limitations for the business of the Provincial Bank and then to suggest that central banks which are the sole customers of the Provincial Bank should be at liberty to borrow money from or place deposits with commercial banks. Such a position will render the task of Provincial Bank difficult, and even make the business unworkable. It is the function of the apex bank not merely to serve as a medium through which inter-finance can be conducted but also

to provide the sole connecting bank with commercial banks and the State. If each constituent is to seek direct connection with outside banks or to derive direct or indirect financial assistance from the State—as has been suggested in this Presidency—there is no place for an apex bank in the co-operative organization, and no apex bank, under these conditions, can command credit or exercise influence as the supreme financing institution in the province. There are only a few other decisions of note in the field of finance. Central banks, it is proposed, should, in future, receive deposits from the areas in which they operate. Fluid resource, Government prescribe, should be maintained at a definite standard, and invested separately in commercial banks or in redeemable Government securities. The Local Government also approve of the proposal that the business of societies and banks should be divided into two parts, into their short term or “crop” business, and their long term or other business,

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One of the main recommendations of the Committee on Co-operative Societies in the Central Provinces was that the Provincial Federation which was responsible for audit and control should be abolished and should be substituted by a fresh body organised on a voluntary basis with clearly defined duties. This is one of recommendations accepted by the Local Government, in whose opinion the Federation should be so reorganized as to avoid interference with the finance of the movement and to restrict its activities to such useful forms as the promotion of education and propaganda, and the unification of co-operative aim and effort. It will be a distinctly retrograde step for a Province where there has been some devolution of powers to a self-governing co-operative organization to have this organization done away with and the powers re-vested in an officer responsible to the Local Government and not to co-operative institutions. At the same time, it must be recognized that so long as the Co-operative Societies Act stands as at present the Registrar remains responsible for the control of audit and that his ultimate responsibility for audit should remain undivided. The Registrar should have his own staff for super-audit of primary societies, and this audit should be conducted once in two years or so. as recommended by the Committee on Co-operation. The audit of central banks, the Provincial Bank, and other larger institutions should be conducted by certified auditors licensed by the Registrar in that behalf. The certificates should be granted on the recommendation of a provincial council nominated by the Federation which may include a representative of the Legislative Council and one or more members co-opted from among persons connected with banking or commerce. The Registrar,

while issuing the licenses, would insist on the submission to him of reports and statements of accounts in a form prescribed by him. The Registrar should also issue similar licenses for persons appointed by the Federation for the primary audit of smaller societies. In the initial stages, as in Bihar and Orissa, some subvention should be obtained from Government for the upkeep of this staff. The other sources of income should be contributions from primary societies and central banks. No fees for audit should, however, be levied from the smaller primary societies. Another direction in which a change in the working arrangements is necessary is the decentralisation of control. It is true that conditions in the Central Provinces are peculiar, but when the Registrar and the Committee of Inquiry all agree in going so far as to suggest the employment of members of primary societies as local auditors, it is not clear why the more essential work of managing their own societies and keeping their own accounts should be entrusted to Moharrirs paid and controlled by a central organisation. The first step should be the gradual elimination of the Moharrir and his replacement by educated and trained members of primary societies. As in Bombay, the Federation should organize training classes for secretaries of rural societies, teaching them the element and history of co-operation, explaining the various types of co-operative institutions, and giving instruction in the principles of simple book-keeping and accountancy. There might be junior classes in the districts and senior classes in the divisional or provincial head-quarters. There should also be organised, periodically, lectures series in important villages for office-bearers, committee-members, and others. This is what is being actually attempted in Bombay under the branches of the Provincial Bank and through the Institute.

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Beyond this, primary societies should be enabled to develop into healthy self-governing institutions and not be administered as if they were only component units in the central banks. The sense of unity and uniformity should be imparted by local councils of the Federation, to be organized in all areas where there is a local central bank. The provincial council of the Federation should be representative of these local units so that rural interests may get their voice heard. These councils, and not the central banks, should be the local agents of the Federation. The publication of vernacular journals and leaflets, and the holding of local conferences for the discussion of local problems should also assist in securing decentralisation of control. Organised as it was, it would have been hard for the federation to have kept aloof from questions of financial policy and no blame should attach to it for the performance of functions definitely

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assigned to it. All the same, it is essential that there should be some clear demarcation and division of work between the financing agencies and the controlling federation. Once for all, in the Central Provinces as in other parts of the country, it has to be decided whether central banks should have their own arrangements for supervision of primary societies—and the Provincial Bank for supervision of central banks—or whether responsibility for supervision should vest wholly in the Federation. If the second alternative is preferred, there is bound to be a certain amount of interlocking, and the Federation will cease to be a disinterested controlling authority. In the present conditions of the co-operative movement in India, it is proper that financing agencies should assume responsibility for supervision. But the control of general policy and the responsibility for primary audit, for organisation and training, for propaganda and education will remain with bodies like the Federation, to be exercised them through local branches and the central organisation. It should be arranged that while the central financing agencies and the Federation remain separate organisations, they should, as in Germany, exchange representatives to sit on each other's committees, and have, wherever possible, one common head. In Germany, the Federation and central banks though they are separate in constitution form an inseparable whole and secure an identity of policy in the manner shown above. Another important question is the admission of outsiders to the councils of the Federation. Under the present form of organisation it is not possible to provide for the admission of individuals as members. But it may be suggested that the rules and by-laws should provide for the election of individuals as sympathizers. These may sit on committees at the central Federation and local councils and speak at meetings but not vote. Donations and subscriptions should be freely accepted, and no efforts spared to secure the sympathy and interest of the intelligentsia in what should be a popular national movement.

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In his presidential address at the Bombay City Co-operative Conference, Mr. Jehangir Petit quoted from an instructive leaflet issued by the Co-operative League of America pointing out the cardinal errors to be avoided in the management and organization of stores. These errors relate to matters of principle or policy the neglect of which involved certain failure. The leaflet begins by describing the errors in organization and education. The first of these is to start with a membership unfamiliar with co-operation, among whom co-operative education can make little progress. Once a membership of the right type is available no efforts should be

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Stores

spared to maintain the educational work necessary to keep the members loyal and to develop the social side of co-operation. For success it is essential, the leaflet proceeds, to organize a women's guild to enlist the sympathies and interest of women members, while the employment at the store of men indifferent to the co-operative idea is bound to result in failure. The next class of common errors relates to matters of financial policy. The most important of these is the attempt to undersell the private store or retail shopkeeper, and equally prominent is the custom of giving credit to members for sales. Buying on credit from private whole-salers is also attended with risk, although this can only be avoided where a co-operative wholesale is in existence or a store starts with a sufficiency of capital. Again, there is the hankering after dividends which should be checked in the earlier stages. Finally, the leaflet deals with errors in and about the store—those relating to matters of internal management. The adoption of bad methods of book-keeping and the failure to have accounts audited and stock verified at regular intervals inevitably lead to inefficient management. The consequences of selecting an incompetent manager or establishing the store in an unsuitable locality are self-evident. The last errors enumerated are the unwise selection of stock and the investment of capital in fixtures and furnishings. Some of these are matters which look axiomatic but are often neglected in practice, and systematic attempts are necessary to educate those responsible for the organization and management of co-operative stores in this Presidency in the practice and principles of consumers' co-operation. In common with other provinces, Bombay has not yet been able to develop a sound system of co-operative stores, and of the numerous societies, which were started some three years ago when profiteering was rife and the distribution of food-stuffs—such as rice—was placed under control, some have languished, while others are not yet able to work on a satisfactory basis. The inefficient ones and those in which the interest of members had definitely flagged have now been weeded out, and as Mr. J. A. Madan, the late Acting Registrar, observed at an informal Conference of Consumers' Societies held at Bombay in June, this appeared to be a suitable time to get together those who are interested in the actual work of consumers' societies to discuss difficulties and to lay down lines for the future. The consensus of opinion at this meeting was that the poor progress made was due to want of loyalty on the part of members, lack of good business management, and absence of proper supervision and control by managing committees. Other factors of importance were defective financial arrangements, the want of facilities for wholesale purchase and for proper audit account. More attention had been devoted to canvassing capital than

customers, and occasionally stores were started without the economic need for them having been really appreciated. The appreciation of this need was a matter of education and it was very properly pointed out that no pains should be spared in educating industrial communities in the evils of the existing distributive system and the vicious circle of higher prices and higher wages it creates. The Conference adopted only a few resolutions. One of these requested Government to extend the principles of free audit to one consumers' societies as a temporary measure, and another urged the Bombay Branch of the Institute to undertake the supervision and inspection of store societies in the city. The Conference favoured the payment of a certain percentage of the net profits as fees to members of committees who were entrusted with responsible duties. The question of a wholesale agency was left over as it was under consideration by the Institute, and in regard to financial facilities it was pointed out that in-as-much as outside credit was fatal to progress, barring exceptional circumstances, the only credit which societies should enjoy was the usual short-term business credit which was obtainable by any individual or institution with a good reputation.

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The question of the housing of the people in congested cities deserves to be looked at from a wider point of view than that which the old school of thinkers are accustomed to take. The health and well-being of the community have, no doubt, been always a matter of concern for all civilized governments, but until recently they paid greater attention to measures calculated to palliate the evils arising from bad housing than to eradicate the causes thereof. Later on, however, the bold experiments undertaken in the latter direction by some of the leading local bodies in England and other countries, and by a few large-hearted employers like Lever Brothers of Port Sunlight fame and the Cadbury Brothers of Bourneville fame brought home the truth to all concerned that money spent for the improvement of the housing conditions of the people was a productive investment in the true sense of the term. It was the recognition of these facts that led to the various Housing Acts of England, culminating in the well-known Act of 1918 piloted by Dr. Addison, involving an expenditure of 300 million sterling or 450 crores of rupees, to be spent by way of loans, grants and subsidies at the cost of the taxpayer for the construction of houses fitted for the habitation of the poor class of people, whether that work of construction was undertaken by local bodies, co-operative societies, building trusts, or even by private individuals building on approved lines. Examined from this stand-point, a few observations of Mr. Otto Rothfeld in his otherwise

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very illuminating article on Co-operative Housing which appeared in the July number of the Bengal Co-operative Journal seem to favour the views of the old school of thinkers. While agreeing in general with this view that individualistic ideas should not receive favour in the co-operative sphere, we are reluctant to see it pushed to its logical sequence, especially in the matter of housing. The more the number of houses built, the less scope will there be for speculation in their ownership. What Government should care about is to encourage the building of houses whether by individualistic or joint ownership societies, provided that the houses are fitted for the habitation of the poorer sections of the community. A housing society involves investment of a large amount of capital by the members seeking its benefit. Most members forming a society will have, therefore, to invest in it all or a major portion of their savings. It is natural under such circumstances that the investing member should be anxious to see that no harassing clog or hindrance is placed in the way of realising his investment in the hour of need. This was the point of view urged by a large section of the delegates in the last two Provincial Conferences, and we earnestly recommend that Mr. Rothfeld and other officers concerned would see their way to meet it sympathetically. In the last paragraph of his article, Mr. Rothfeld regrets that no co-operative efforts have so far been undertaken for ameliorating the housing conditions of factory workers. It must, however, be borne in mind in this connection that the prevailing systems of housing societies are unsuited to tackle the housing problem of factory workers. In the first place, a large section of that population is of a migratory character. Secondly, people of this class cannot be expected to raise the large amount of share capital to entitle them to the Government loan. And, thirdly, the success of a housing society must depend on the capacity of its members to pay an economic rent, capable of yielding reasonable interest on the whole invested capital. On the other hand, most of the working class people huddle together in single room tenements to escape the ordinary incidence of rent. Government having recognised these facts have acknowledged their own responsibility and have undertaken to provide housing accommodation for these people by charging a lower and therefore an uneconomic rent. There are hence no favourable conditions for starting a society for undertaking the construction of houses for factory workers. Yet even under these conditions, a way may be found to introduce an element of co-operation in tenanting the buildings built for them by public bodies. Societies of working classes may be formed for taking up on rent the whole block of a building. The members might be induced to collect together the rent for a month or two of the building to be paid as a deposit and the work of collecting the monthly

rents of the whole block and of looking after its up-keep might be entrusted to the committee of the society. By this arrangement, the tenants would be freed from the harassment of rent collectors and the society will gain all the advantages of collective bargaining. The leaders of several social welfare organizations, like the Social Service League, would be able to form a few such societies as an experiment if the Improvement Trust or the Development Board could be induced to let a few buildings on these lines.

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The introduction of the study of co-operation in schools and colleges has been proposed as an admirable method of educating the young mind about the aims, ideals, and methods of the co-operative movement. Along with the inclusion of co-operation in the curriculum for study, it is further suggested that for the purpose of imparting practical training in co-operative work, stores which will supply stationery, books and other requisites for students should be started in schools and colleges. With this idea in view, co-operative stores have been started in educational institutions in various parts of the country and some of them seem to be making headway steadily. One of these enterprises is the Kumbakonam College Stores Society in the Madras Presidency which has a membership of 225. It transacted business to the extent of Rs. 2,771-1-3 in buying books and stationery on behalf of members and the profits for the year amounted to Rs. 193. A rebate of pice nine in the rupee was declared out of the profits. In addition to a reserve fund of Rs. 133, the society has a common good fund of Rs. 52 to be used for educational work.

## CORRESPONDENCE

To,

The Editor of the "Bombay Co-operative Quarterly,"

Sir,

I should be obliged if you kindly give space in your esteemed journal or the following. In the March issue of this journal, Prof. Sahasrabudhe and Mr. Potnis have drawn a rosy picture of what can be accomplished by co-operative methods in the realm of agricultural co-operation and have been good enough to mention a number of subsidiary industries that can be resuscitated. The suggestions, as every one must admit, are good in themselves so far as they go and it is difficult, therefore, to understand why attempts on the lines laid down have not been hitherto made in the past. It is doubtful, too, whether all the secondary industries can successfully be organized co-operatively in the absence of any precise information touching their condition. Before any attempt is launched

to organize them, is it not necessary that an economic investigation be undertaken so that the prospects of success can be gauged with certainty? So long as the chances of success of any cottage industry are not economically explored and the results of such enquiry published, it is futile to attempt its successful organization. What is essential, therefore, for the successful organization of any industry co-operatively is that an economic survey be made previously by non-official co-operators, in collaboration with the representatives of the Agricultural, Co-operative, and Industrial Departments, to investigate the prospects of success of various secondary industries in different parts of the Presidency. When an enquiry has been made and the results published by means of reports, charts and maps are found sufficiently, encouraging, co-operation may then serve as a much-needed filip and may take the assistance of the State if need be and where essential and then only a real beginning may be recorded. To confirm the truth of the above assertion too palpably one may simply review the position of weavers' societies in the Presidency. He will be convinced that sporadic efforts without sufficient economic exploration are likely to produce uncertain results, almost hopeless ones too. Sometimes, what we find in an attempt to organize the weaving industry on a co-operative basis is that a few struggling societies are eking out their unpromising existence without sufficient prop or encouragement. This fact should, however, afford sufficient food for reflection to those who are too sanguine about the successful organization of cottage industries on co operative lines. I am not a pessimist and let me not be misunderstood as such. What I want to make out plainly is that the various secondary industries should be Economically explored, their prospects of success laid bare, by means of detailed and full statistical information made available to the public in a convenient form so that a misguided dramatic leap in the dark may be avoided. Then only will the era of successful organization in the realms of industry be ushered in.

Yours etc.,

K. R. KULKARNI

## THE BOMBAY CENTRAL CO-OPERATIVE INSTITUTE

### *Continuation Work*

*(The following is a scheme drawn up by the Vice-President of the Institute for the provision of continuation work for Co-operative Night Classes.)*

It is found after experience that whatever literacy is obtained amongst adults attending the regular Night Schools, it has a tendency to disappear very soon after the pupils cease to attend such schools and thus the main object of

maintaining such schools is frustrated to a large extent. It was, therefore, felt that some means should be adopted to remedy this state of things, whereby the adults may retain their literacy and further develop their capacity to such an extent that it may lead to useful and practical work.

The note may thus be divided to cover the whole field of investigation into the following main heads, namely : (1) The course of instruction or information. (2) Practical Education. (3) Methods. (4) Agency. (5) Control. (6) Funds.

#### (1) THE COURSE OF INSTRUCTION OR INFORMATION.

Under this head the following items may be proposed :—

(A) LECTURES :—These may be delivered at stated intervals on topics of general information by members of the local Co-operative Societies, by distinguished visitors taking interest in the education of adults, and by officers of the various Government Departments—especially Educational, Agricultural and Co-operative. These topics may include (a) General Sanitation (b) Useful and practical information about Agriculture, (c) Practical hints for enhancing the usefulness of the agriculturist as a unit of rural society. In this last item it is intended to include subjects like Temperance, Co-operative Organisation of various kinds, Indebtedness, Land Improvement, Intelligent exercise of franchise, Civic duties, to begin with, relating to the village, village panchayat, its functions, &c. &c.

(B) LIBRARIES AND READING ROOMS :—This is an important item in the matter of maintaining the literacy. I would propose the establishment of such libraries and Reading Rooms at the centres, where such Night Schools for adult co-operators are at present in actual existence or were in existence formerly. These may be attached to the local Co-operative Societies; and any member of the Society taking active and genuine interest in such work may be appointed the Secretary. One or two newspapers and a few Magazines especially bearing on Agricultural and allied topics may be subscribed for. In the selection of books, even books on fiction may also have a place in order that people may have attraction for such places; books on biographies and history of Maharashtra, India, and other leading countries will be a source of healthy information. Religious books will also be valuable inasmuch as religion has a great hold on people in villages, Books on Agriculture, Co-operation, Hygiene, Sanitation, and other topics of general usefulness will of course form the bulk of the stock of books.

Though these Institutions are primarily meant for the adults, who have had the benefit at the Night Schools and whose literacy it is intended to preserve and further develop, it is desirable that even members of the local Co-operative Societies, as well as any inhabitants of the places wishing to benefit themselves may be allowed to be members of these Libraries. When there are groups of Societies conveniently situated circulating libraries may be established with great advantage.

(C) MAGIC LANTERN LECTURES :—Lectures on subjects useful to agricultural classes may be organised with the help of (a) officers of the Educational Department and (b) Agricultural Department. These lectures may be illustrated by the lantern slides.

(D) **EXCURSIONS AND TOURS.**—Excursions may also form a useful factor in widening the general outlook of the adults. It is, therefore, desirable to organise excursions to places like the District Towns, the headquarters of the Provinces, and other places of commercial and educational interest.

(E) **ITINERANT TEACHERS.**—A few teachers specialised in subjects useful to agricultural classes may be employed for the whole district. They may move from place to place and give periodical courses. This instruction is meant to supplement the work of the local teachers and in a more specialised way. To facilitate this work they may be supplied with lantern slides and other suitable adjuncts.

## (2) PRACTICAL EDUCATION.

This may include the following amongst others :—

- (a) Co-operation :—(1) Co-operative Credit Societies. (2) Supply Societies, (3) Farming.
- (b) Local Experiments of Agriculture.
- (c) Broad Principles of *First Aid*.
- (d) Effective use of available water supply. whether rain-water, canal-water, or well-water.
- (e) Experiments in sericulture or sericultural or similar other useful cottage industries for which local conditions are favourable.
- (f) Labour Societies.
- (g) To find out means to supply labour in days of harvests whenever the same is deficient.

## (3) AGENCY.

The work may be got done through the officers of the Educational, Agricultural and Co-operative Departments. The District officers of these Departments may form themselves into a Committee for devising means and ways for conducting the whole scheme for the Continuation Work of the Night Classes. They may prepare suitable courses of lectures to be delivered, may find out suitable teachers both local and itinerant and give effect generally to the various items included in the foregoing paragraphs. Organisations like the Servants of India Society, the Social Service League, the Bombay Central Co-operative Institute, the Panchayats may also be requested to co-operate. This Committee may have power to co-opt members from local people who are likely to be of use in promoting the cause. These district officers may instruct officers under them to watch the work at local centres and to give advice and guidance to men on the spot.

## (4) CONTROL.

The control of the whole scheme may be vested in a semi-elected Committee of both officials as well as non-officials as indicated below. The Committee should lay down the programme, arrange for inspection, prepare and pass the budget, and hold six-monthly meetings and the quorum should be 4. If possible, a paid Secretary should be appointed.



(1) Heads of Agricultural, Educational and Co-operative Departments	3
(2) Representatives in the Legislative Councils of (a) Local and (b) Municipal Boards	2
(3) A representative elected by the Credit Co-operative Societies	1
(4) A Co-opted member by the above-mentioned 6 members.	1
(5) Two representatives of the general public interested in the cause, including the Vice-President of the Bombay Central Co-operative Institute or its Secretary	2
<b>Total</b>	<b>9</b>

## (5) FUNDS.

These may be obtained as under :—

(a) All the Co-operative Credit Societies and Agricultural Banks may contribute a fixed rate of their profits annually.

(b) The Educational Department to give grant-in-aid at the rate of two-thirds of the expenditure. The Agricultural Department to give adequate grant from the funds at their disposal.

(c) Subscriptions from the general public may be invited.

## (6) PROPAGANDIST WORK.

A good deal of propagandist work will have to be done in the beginning and the sympathy of agriculturists, co-operators and the villagers will have to be enlisted. In this matter, the Institute may be asked to take the initiative.

*Bombay Branch (Circular)*

The following is the programme of work adopted by the Managing Committee at its meeting on 19th July 1922. It is hoped that this will enable members to judge which line of activity will suit them better.

## I.—INSPECTION OF SOCIETIES.

The Registrar, Co-operative Societies, during the informal conference of the representatives of consumers' societies, expressed the desire that the Bombay Branch of the Institute should take upon itself to supervise the consumers' societies in Bombay. This is an important item of work inasmuch as members of our committee can assist these societies to a considerable extent if they would only visit such societies and observe minutely their working. Forms of enquiry to guide the members visiting such societies have been prepared. I, therefore, request you to let me know which societies it would be convenient to you to visit.

## II.—ORGANISATION OF SOCIETIES.

That there is yet a vast scope for organising all sorts of co-operative societies in the city must be apparent to every member. No doubt organising a society is a difficult task, but at the same time, it is the most important of our functions. If any member finds a need for any society and if he secures some earnest people to support it, he can call any one of the four Honorary Organisers who have been appointed by Government for this purpose and who

will gladly render every assistance in their power. Their names and addresses are given below :—

1. S. K. Bole Esq., J. P., M. L. C., 'Keshavalaya', Dadar, Bombay.
2. G. N. Sahasrabudhe Esq., B. A., 17, Javeri Building, Parel, Bombay No. 12.
3. R. V. Varadkar Esq., Chinchpokli, Bombay No. 12.
4. Dr. B. V. Rayakar, 159, Bhuleshwar Road, Bhai Jivanji's Lane, Bombay.

### III.—CO-OPERATIVE EDUCATION.

It is our prime duty to educate public opinion in co-operation. This is proposed to be done by arranging lectures for the public, by arranging lectures in co-operative societies, by giving lectures with the aid of the magic lantern, which is owned by the Institute and which possesses two interesting sets of slides, and by publishing and distributing leaflets.

It should not be difficult for our members to help us in this respect. Magic lantern lectures can also conveniently be arranged with advantage in the building or chawl in which we are living. If some enthusiastic people can be found, it will be the best preparation towards the formation of co-operative societies on a modest scale.

We also propose to hold Junior Secretaries' Training Classes—one in Parel and one in Girgaum, and to organise under the auspices of our Parel Branch a Co-operative Conference in Parel sometime in August or September.

## REGISTRAR'S CIRCULARS

### BROKERAGE TO CO-OPERATIVE BANKS (No. 105/Gen. 77 of 12th August.)

Government in their letter No. 1381-E of 22/25th July 1922, F. D., are pleased to order that all Co-operative Banks and Urban Banks are recognized as bankers for the purpose of payment of brokerage on applications for the New Government of India Loan, bearing their stamp.

### BUYING CLUBS (No. C. S. 14/159 of 9th June.)

In April 1921 certain proposals of the Special Assistant Registrar for Purchase and Sale to start "buying clubs" and to draft model bye-laws for them were circulated for opinion. The papers have now been received and the opinions on them reviewed.

In one point all opinions are unanimous, namely, that the suggested bye-laws are far too elaborate for their suggested purpose. This, however, appears to be the only matter capable for clear and reasoned expression on which opinions are unanimous. There is indeed practical unanimity in what may be described, without any derogatory intention, as an emotion or a sentiment, namely that anything is desirable which would contrive an easy effortless way of getting cheaper and better goods to the consumer, but this emotion is hardly translated into any reasoned exact or imaginative form. It remains a vague and sentimental aspiration. It is not formulated for definite action: it still belongs to the category of "wishing" and not to that of "willing." In other words, it is not so expressed as to be capable of practical application to the concrete existing facts of society in Western India.

When the papers were circulated, the Registrar was not unaware of the weak points in the proposal. He was, however, anxious to elicit discussion. The Consumers' Movement in this Presidency and indeed everywhere in India has so far been a failure; and the more thought that can be devoted to the causes of failure, the likelier it is that some correct line of action can be discovered.

The Special Assistant Registrar's proposals have been framed really, though no doubt largely sub-consciously, because he was aware of failure in the movement and had persuaded himself that failure was due to the shape of the model bye-laws in Leaflet J (2), or in other words to errors in the principles of the Rochdale Pioneers on which the Consumers' Movement in every other country in the world had been based and successfully so. He objected to certain of these principles, expressed of course in Leaflet J (2), as in the laws and regulations everywhere governing such societies, as being likely to prevent a quick outturn of societies of some sort or other dealing in some way or another with some or other articles of consumption in this Presidency. His main purpose, he would probably admit, was by the omission of certain of those prescriptions to provide for a quicker outturn. Now he knew that in the United States of America, where intense individualism and the pervading taints of materialism and capitalism and intensely selfish activity had at first hindered the spread of co-operative ideals, a beginning had been attempted among some farmer groups to lead them to more moral and wholesome ideas by inducing them to start informal buying clubs. Such clubs being formed, they learnt the first lesson that combination can give even material advantages greater than individual selfishness. On the ground so prepared the seed of co-operation could afterwards be sown. With this knowledge in his memory and with his desire to evade the slower and laborious efforts required by real co-operative principles, he has devised a scheme which differs from that of a true consumers' society only by departing from some essential principles, but which is nothing like the American buying club. It is still a consumers' society; it is only a bad one.

Now the American buying club is (or rather was) an absolutely informal association of ten or a dozen neighbours to buy certain definite articles. They clubbed together their requirements, guessed approximately what they would cost, and gave the money to one of their company who was going to a neighbouring market. He then went round the various shops and as it was a larger order got better prices than any single one of them would have been able to get singly. The articles were at once distributed and so were the savings, unless the latter were again clubbed together with fresh payments for further purchases at the next market day. This was all quite simple. But it is very different from the present proposal.

The Registrar can obviously have no objection if such informal clubs are started. We have already in this Presidency school-boy societies which are very like these clubs and whose purpose is also mainly educative. If Branches of the Institute or Honorary Organizers or others get such clubs started by

a few friends not more than 20 in each case, the Department will be sympathetic to them and give any possible advice. But obviously they cannot be registered under the Act. They are too informal to be regarded as corporation of any kind and they are not permanently co-operative. They need only the very simplest rules and one or two accounts, and need no special protection or inspection.

Throughout the correspondence it is clear that grave misapprehensions about co-operation in general and the Consumers' Movement in particular still exist even in quarters where greater clarity of vision might reasonably be expected. One misapprehension that recurred in several comments was that of confusing a consumers' society with a society for the joint purchase of agricultural requirements. The classification unanimously adopted in this Presidency of co-operation into three separate movements, the Resource, Consumers', and Producers' Branches, with their separate ideals and separate economic and social basis should be borne in mind. If clearly understood, it must eliminate all chance of such confusion in future. The Manager, Bombay Central Co-operative Bank, has in this case very rightly and correctly pointed out the confusion and its seriousness. The Consumers' Movement is one for the elimination or expropriation of private profit in the distribution of all articles of necessary daily consumption. It contemplates production for use only and not, as under the existing capitalist system, for profit. It demands that the processes of production and distribution shall be entirely controlled by all consumers, that is by the community as a whole, in the interests of the community and desires to render impossible any control on profit by any individual or group. It is in a word collectivist in ideal. The isolated consumers' society or store is regarded mainly as a means of training consumers in their duties and of interesting them more and more in the movement. The practical means sought is a rapid extension of such societies and their federation, with a view to substituting these federation or 'wholesales,' that is, the voice of the consumers as a whole and their saved capital, for the capitalist trusts and manufacturers. Societies for joint purchase of agricultural requirements are, however, very different. They belong to the resources movement, that is, their purpose is merely to supply individuals with the resources of their trade or profession as well and as cheaply as possible. They do not seek to substitute one social or economic system for another. On the contrary, they seek this added cheapness with a view to individual profit. And this is natural. At present and probably for as far ahead as we can see into the future, agriculture is essentially an individualist trade. Nor, in India and in most countries outside of England and the United States, has it been greatly brought under the sway of capitalism. Hence a society of this kind is merely a business proposition with a view to cheap supply of trade requirements to a group of individuals. There are hopes of being soon able to start joint purchase societies of this kind on a working basis. The difficulties are mainly business difficulties, chiefly connected with the supply and recovery of funds for the purchases.

Consumers' Societies require much more laborious preparation. Here the first necessity is education and explanation. It is essential to instruct small groups of wage-earners (or wage-slaves as they are sometimes called), whether they are mill-operatives or professional men, in the character or nature of the economic system in which we live and in its evils. One has to point out instance after instance in which the vital interests of the consumer are ruthlessly sacrificed by the small group of economic rulers of our world to their private profit. Such instances can be quoted as the present disgraceful position in regard to rubber, when production is being curtailed and the world starved of this necessary article, simply because the group that controls the industry does not find it sufficiently profitable to itself to sell at present prices. Along with such constant instruction and re-iteration the contrary ideal of production for use controlled by the community should be put forward. And thereupon they should be encouraged, group by group, to form their own little societies and link them together. Such societies require—contrary to the Special Assistant Registrar's opinion—little business capacity or training. The example of the successful societies in England proves this. But they do require honesty, sincerity, and constant hard work. These are qualities that one can find only in men inspired with an ideal. And it should be the first business of our branches and our workers, official as well as non-official, to inspire these ideals and to make known in popular form the first principles of economics which inspire consumers' co-operation. It can succeed only among people who know what the evils are against which they fight, how they have arisen, and with what effort, at what a cost of time and trouble and suffering they must be fought if the next generation is to find itself in healthier and saner conditions than those which have injured their fathers.

#### RATE OF INTEREST ON LOANS THROUGH UNIONS (Circular Letter of 2nd May.)

From the few replies that have been received so far to this office No. C. N. F.-33 of 16-1-1922 in which a resolution of the Kaira Co-operative Conference in favour of charging at least  $\frac{1}{2}$  per cent less interest to societies affiliated to Unions was sent to all Central Banks for opinion, it seems that most of the Central Banks and even the Provincial Bank are unwilling at present to give any such reduction.

2. It seems, however, to the Registrar that the question has not been properly considered on all its bearings. The unions, in the first place, guarantee all loans made by the Bank. In the second place, by supervising the affiliated societies, they save the Central Banks the work of inspecting their societies themselves. This guarantee and supervision obviously need some recognition at the hands of the financing Banks. The Registrar would, therefore, suggest that this recognition should take the form of half a per cent. reduction in the rate of interest. If present financial circumstances do not allow of this reduction, it is suggested that for the time being at least  $\frac{1}{2}$  may be allowed. The Registrar is, however, anxious to see that the principle should be recognised.

## CIRCULAR (No. L. Q. D. 161.)

Surplus amounts from liquidated societies as may be decided to donate to the Bombay Central Co-operative Institute should be divided equally between the Bombay Central Co-operative Institute and its local Branch.

## ANNUAL RETURNS (No. U. R. C., 163.)

It has been noticed that societies, while submitting their annual reports for the year's working, omit the important factors "Amount overdue" and "period for which loans are granted". This is absolutely necessary in order to consider whether the society is advancing its funds considerably and wisely, especially so with an Urban Society whose liability is limited. The Registrar, therefore, requests all Urban Societies and Banks kindly to give the following information along with their annual reports :—

(a) Amount of overdues.

(b) Total amounts and proportions of loans for less and more than one year granted to members or member societies.

Assistant Registrars are requested to see that the societies supply this information.

## AUDIT (Official Order No. G. R. A. D. M. 17 of 6th June.)

A number of Auditors in this Department seem to imagine that their vocation or avocation is anything rather than auditing. This is an error. Auditing, it is true, does not exhaust an Auditor's duties. A good man will do much more. But every Auditor's first and essential duty is to audit his societies carefully, promptly, methodically, seeing among other things that he so arranges his audit work as to cost Government as little as possible in travelling allowance. This will be insisted upon in future as a condition to staying in the Department. Then come his other duties, encouragement, propaganda, guidance, and so on. This will be regarded as conditions to obtaining grade increments and promotions. It is hoped that this warning will be seriously viewed and that it will not be necessary to enforce its meaning by actual punishments.

## KARNATAK DIVISIONAL CONFERENCE

*(The following are the resolutions of the Karnatak Divisional Conference, held at Belyaum in May 1922.)*

1. This Conference strongly recommends that the provisions of the draft Cotton Transport Bill to be shortly placed before the Imperial Council should be carefully investigated with reference to their application to the Hubli and other Karnatak markets.

2. This Conference recommends that when there is a likelihood of future development of co-operative cotton sale in any centre there should be no objection to the organization of cotton sale by the Agricultural Department in preparation for the formation of a cotton sale society.

3. This Conference resolves that the Taluka Development Committee and local bodies contemplated by Government for the development of agriculture in a Taluka should be combined and only one body for propaganda should exist in each Taluka.

4. That bodies of the combined type should be formed wherever co-operative agricultural effort has created a demand for such development and that membership should not be entirely restricted to co-operative societies, though, in most cases, it will chiefly consist of these and that co-operative societies should be recommended to lay aside a portion of their reserve funds or the support of these bodies where they are able to do so.

5. This Conference feels the necessity of the consolidation of existing holdings by mutual consent into economic units for cultivation.

6. That the whole question of economic cultivation would be much simplified if co-operative farming could be extensively undertaken on the lines suggested by the Provincial Co-operative Conference.

7. As regards the prevention of future sub-division and fragmentation, this result will, in the opinion of this Conference, only be achieved by resorting to legislation.

8. That Resolutions Nos. 5 and 6 can be best carried out by energetic propaganda among the people and by establishing certain villages as examples in which consolidation has been carried out and co-operative farming brought into practice. So far as consolidation is concerned special attention should be given to the possibilities of the Punjab scheme applied to the Karnatak.

9. That with regard to Resolution No. 7 referring to the prevention of future sub-division and fragmentation, the subject should be investigated by the Central Co-operative Institute through the primary societies affiliated to it with a view to explore the scheme which would prove most acceptable to rural communities.

10. This Conference resolves that the Registrar should be requested to frame model bye-laws for fodder storage societies and that he should be requested also to register some such societies as an experimental measure.

11. This Conference is of opinion that the time has come to consider the advisability of starting a wholesale co-operative agency for dealing with agricultural produce and requirements and recommends that the Bombay Central Co-operative Institute should convene a meeting of leading co-operators interested in the sale of agricultural produce and requirements and to consider if an agricultural co-operative whole-sale agency can be started in Bombay.

12. The Conference is of opinion that Co-operative Central Stores should be started in the important weaving centres for the joint purchase of yarn, silk, etc., for joint sale of finished articles, for advancing loans on the security of such articles, and for the introduction of improved implements and machinery for the benefit of weavers.

13. That the Special Assistant Registrar be requested to supply detailed prices of counts of yarn to all weavers' societies every week.

14. This Conference recommends to the Registrar to move Government to allow central banks to incur liabilities up to 12 times their share capital plus the reserve fund instead of 8 times as at present allowed, and further to move Government to allow the Local Boards and Courts of Wards to make deposits of their surplus funds in co-operative societies and banks recommended by the Registrar.

15. This Conference recommends that financing agencies should insist upon a fixation of normal credit of individual member and the preparation of monthly forecasts by the credit societies and that they should appoint a sufficient number of inspectors to train their affiliated societies and to supervise the utilization of loans granted to them.

16. This Conference resolves that the Registrar should prepare a case and obtain sanction of the Government that the cheques drawn by Societies on the Bombay Co-operative Central Bank be accepted by all treasuries, at least for payment of Government dues.

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THE  
BOMBAY CO-OPERATIVE QUARTERLY  
DECEMBER 1922

GUILD SOCIALISM AND CO-OPERATION

The guild socialist movement is a growth of the last ten years and has assumed importance only since the War. It originated in the writings of Messrs. Orage, S. G. Hobson, Cole and others, the title of guild being borrowed (with a notable change of meaning) from the obsolete institutions which during the Middle Ages and the Renaissance period were formed by master-workers, with or without journeymen, for the purpose of regulating wages and prices, standardizing the product, and safeguarding in general the interests of the trade. The modern guild aims at workers' control over industry, a proposition which would have horrified an old-type guildsman. The essential idea is that labour shall no longer be regarded as a commodity, as it tends to be regarded by the orthodox economist and by the practical man of business. Labour consists of human labourers, who should be treated as human beings rather than as units of material. Their employment should, therefore, be constituted as a "service," and should be continuous without regard to the fluctuating demand for their work; men should receive payment in the form of salary, not of wages, with all the stability that the term "salary" implies. Again, as in a "service," the remuneration of the worker must be unrelated to the profit actually made or loss incurred, the profit, if any, being applied to the general purposes of the service and to the formation of a reserve or transferred by taxation or contribution to the State, and a loss being met from the reserve or from taxation. Finally, the workers themselves, including the clerical and technical staff and the general manager, will control the methods and the conditions of their work; there will be no individual owners, since property or possession of the fixed capital vests in the body of workers through their guild organisation, subject to the authority of the congress of guilds and ultimately of the State.

Before discussing the guild doctrine in greater detail or comparing it with co-operation and other alternative theories, it is useful to describe the progress already effected in England, its home. The first



practical application of the theory was to the building trade, in which the Building Guild of Manchester formed in 1920 to carry out the principles already explained, has by its marked success opened a road to about 200 building guilds now existing in different parts of Great Britain and to a handful of pioneers in Ireland. 150 of the guilds in Britain formed in 1921 the first national guild, which alone in March 1922 had £3,500,000 of work in hand while the London Guild of Builders had £600,000. The clothiers' guilds similarly are forming a national guild, but in other trades no central organ has yet been developed. It would be wearisome to enumerate all the trades in which guilds have found a footing; in addition to the builders and clothiers, groups of furniture makers, bookbinders, musicians, musical instrument makers, clerks, dairy workers, and engineers may be mentioned, but numerous other types are being created from day to day, and the fringe of the agricultural profession has been touched by local guilds of horticulturists and of dairy workers. The first annual conference, held in April last, set up a national guild council to extend and co-ordinate the operations of the guilds, and to organize propaganda on behalf of the movement, above all, in the trade unions and among trade unionists. Hitherto, the national guilds league, an association of some 500 individual enthusiasts founded in 1915, has done the spade work with the aid of the monthly journal, the "Guild Socialist".

The sudden prosperity of the new guilds, both in Great Britain and in other countries, may be attributed to the necessity, imposed on all Governments during and the since the War, of reinforcing the ordinary individualistic methods of industry by State effort and by the organisation of associated labour, in order to reconstruct their national life and repair the ravages of the struggle. Guilds or analogous bodies such as the Italian co-operative societies of labour, have sprung up in all parts of Europe, though their durability has yet to be thoroughly tested. The British building guilds which first came into prominence were for a time regarded askance by the Government and many minor authorities; in the end, however, they secured many contracts under Dr. Addison's scheme of house-building, and were negotiating for a still greater number when the economy campaign led to the abandonment of the reconstruction policy. The essence of the contracts was the fixation of a "basic sum" as the cost of the house, covering the actual salary of labourers and the price of material, to which was added a round figure as remuneration for the service done by the guild; in a number of cases this additional payment was £40 for each house, and the principal comment on the houses erected on this system has been

that they are too good for the persons for whom they are intended ; from this it may be understood that a private builder, constructing to the satisfaction of the contract-giver a house which was not "too good", would have pocketed the resulting profit. Later, contracts have been taken on the "maximum sum" basis ; the guild agrees not to exceed a certain figure acceptable to the contract-giver and estimated to cover its own charges ; if it can reduce the cost below this figure it does so, and reduces the bill accordingly. An instance is quoted of the Bournemouth Building Guild, which, instead of cutting its bill, built two extra houses and presented them free to the Corporation. The Rotherham Guild, on the other hand, having secured contracts for two classes of house at £976 and £861, completed them for £941 and £731, and charged the lower amount.

There is not space to discuss in full the activities of the guildsmen in Britain and abroad. German guilds entered into an agreement with French guilds for the restoration of the devastated districts, but a narrow and imperialistic (capitalistic?)\* French policy prevented the realisation of the plan. Austrian and Hungarian guilds are struggling to save the labourer from the profiteer, the sole person who gains by a depreciation of currency, and to protect the fleeced consumer by production at a fair price. The damaged areas of the Italian front are being restored almost entirely by associations which the English guildsmen describe as guilds ; the description is, however, inaccurate, since the bodies in question are co-operative societies of production and labour, distributing at least a part of the profits and failing to give continuous employment to their workers as in a "service." The true British guilds follow a less immediately attractive but more far-sighted policy, which can succeed only through the formation of an adequate reserve fund, a precaution which they may be in danger of neglecting in times of prosperity, owing to their insistence on moderate prices and to a natural inclination towards advertizing this virtuous principle. Those co-operative societies or federations of production and labour in Italy which operate on the largest scale approximate closely to the guilds, for instance the sulphur miners of Sicily, the ironworkers of Elba, and the metallurgists of Genoa with their affiliated bodies in other parts. The service of their workers is ordinarily continuous, and profits are applied to purposes of welfare, while control is democratic ; continuity of employment and the wise use of profits, however, though established in practice are not always explicitly adopted as fundamental principles.

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\* A contract for £100,000,000 has been given through Herr Stinnes instead.

The close resemblance of the guild to the co-operative society of production will be apparent to every co-operator. The superiority of the guild socialists resides chiefly in the breadth of their constructive policy; whereas the co-operative producer is often content to nestle under the walls of his enemy's castle, pursuing his simple and upright ends in silence provided that he is not attacked, and at the utmost hopes gradually to undermine the walls, the guild socialist prepares for a frontal assault on the fortress of capitalism and propounds a scheme of national and international government to be carried out on the overthrow of the oppressor. While eschewing the sabotage and unthinking revolutionism of the syndicalist, the guild socialist does not abandon the strike weapon; he aims at so impairing the strength of the capitalist master or company by the use of the strike and other means, as to deprive them of their profits and render their position untenable; by surrender, by nationalisation, and also by force of competition the entire body of industry will gradually be delivered over to the associated workers, without bloodshed though not without hardship, and each industry as it passes into their hands, directly or through the medium of the State, will be organized on a self-governing basis and affiliated to a congress of guilds acting as an industrial Parliament, as truly representative of every class in the nation, as is the political Parliament in the sphere of non-industrial policy and foreign affairs, and subject ultimately to the control of that political Parliament. Each industry will support its own workers on a fixed salary, whether employed or unemployed; the State, acting for the nation, or citizens delegated to the guilds and to the Congress to represent the interest of consumers, will prescribe what is to be produced, the producers through their guilds will regulate the mode and conditions of its production.

It is easy to criticize this account, which is in any case imperfect and incomplete: it is equally easy to criticize any constructive and speculative account of a new world. How will the capital to finance industry be provided? This will be done at first, presumably, by trade unions and trade unionists. Can they possibly accumulate the required funds? Possibly not in a few years, yet what inquirer of 100 years ago would have foreseen the huge capital collected by the English co-operative (consumers') movement or by the (agricultural and industrial producers') movement of Germany? Will the trade unions ultimately become the guilds? Probably not; certainly not in their present form of craft, that is, professional associations. For engineers will be employed in a hundred different guilds, yet will need their own trade union of engineers to consider their common conduct and interests.

And what of the intellectual professions? These, be it observed, are in European countries already united in societies and associations which need little adaptation to become true guilds. Doctors, solicitors, barristers, architects, have each their powerful organisation which lays down a professional standard both of competence and conduct. The teachers of national schools in Britain have a similar union which has already entered into relations with the guilds of manual workers, while among civil servants the union of postal workers has declared the creation of a national guild to be the goal of its policy. Assuming that all persons be abolished who carry on *no* useful or productive occupation, every citizen will be a member of some guild or other, in fact of more than one, since every person as a consumer will be a member of the consumers' guild formed chiefly by the affiliation of consumers' co-operative societies. There will, no doubt, be a crop of difficulties concerning the delimitation of guilds, as among trade unions of to-day; such difficulties have indeed already come to the front in England, where pianos are claimed on the one hand as furniture by the furniture-makers' guild and, on the other, as musical instruments by the guild of musical instrument-makers. This latter body appears to possess a contentious nature, for with a sad lack of humour it has claimed to include in the list of musical instrument-makers even the teachers of music, who prefer to join the national union of teachers!

If the constructive vision of a new world gives to guild socialism a certain superiority over co-operation, the co-operator should respond by opening his eyes more widely to the possible future of his own work. Does co-operation hope to effect a complete reconstruction of society, and if so, is it equal to the task? The obvious answer is that with the exception of the doctrinaire consumers, co-operation does not know what finally it hopes or is able to do. The "whole-hog" consumers, headed by their co-operative wholesale societies, are in effect collectivists, and would carry on production through wage-earners grouped in factories which are owned by the consumers. Agricultural producers in their purchase and sale activities not infrequently pursue the same path, and set up cotton mills, grain mills and manure factories which they manage on ordinary capitalistic lines, though being less advanced than the consumers in economic progress and less speculative by temperament they fail to realize the logical meaning of their actions. Now guild socialists propound a theory far more logical, and in their opinion far more equitable: that the actual producers shall unite to sell their products, and the actual consumers shall buy from the associated workers who converted the article which they require into the form in which

they will consume it. Every worker will, therefore, own the material to which he applies his labour, from the moment of buying to the moment of selling. But the labour applied must be his own, not that of wage-earners hired by him. The guild socialist will make no peace with either dominant consumer or dominant producer, he will demand that the co-operative producer stick to his production and the co-operative consumer to his consumption, and that neither party attempt to hire servants who will produce under his orders. An interesting indication of this attitude is given by the guild socialist (or syndicalist) workers in certain co-operative creameries of Ireland, who have recently seized the creameries and are controlling their operation, as the labourers of Milan and Turin seized and attempted to work their employers' factories in 1920. The small Irish farmers are said to be content with the new situation, while the larger men resent the outrage on property; an assurance of regular interest on their invested capital would, no doubt, calm much of their indignation, and the question of capital rights calls for settlement by a superior guild authority. The guild extremist would perhaps demand confiscation, but such a claim, equity apart, would at present be injudicious.

Capitalistic methods being abandoned, the co-operative consumers will constitute the nucleus of a consumers' guild, hereafter to be rendered universal; individuals who are morally unfit for inclusion in a co-operative society may be classified in local groups without voting power or with such other limited rights as may be decided. Co-operative producers on the industrial side will eventually forego their distribution of profit, giving continuous pay to their members on a scale approved by a national or regional federation. The agricultural producer will maintain his credit society, his joint purchase and joint sale society, and any other co-operative institutions to which the social conditions of his day may give rise, but his agricultural operations will presumably be co-ordinated where necessary with those of his neighbours by a regional and a national federation (or in other words, guild) in which the technical ownership of the land will reside, the area in his possession will be accommodated to the number of working hands in his family, and the share of the co-operative income accruing to his household will, subject to the minimum needed to support life, represent the actual value of his crops. His tenure will be secure, subject to lawful behaviour and maintenance of the virtue of his land, and he will reap what he sows. Various industrial occupations in which the individual works at home may need a similar organisation, though the appropriation of the raw material to the needs of the household will, as at

present, be automatic ; no man accumulates in a seriously excessive degree stocks of " raw material " other than land.

The foregoing brief description of agriculture and certain other " home-worker " occupations under a guild system is not an authoritative exposition of guild doctrine, but is intended to convey to the co-operator an idea of the position in which he might find himself. His co-operative organisation would be preserved, and in so far as the guild system was fully established and was in a static condition, would be universalized, but it must be admitted that no healthy society is or should be static, and there will always remain opportunity for co-operative association and enterprise in any type of society. In so far, however, as guild socialism was prevalent, the co-operative system would continue, minus its division of profit, and with a limited adjustment of individual possession to individual needs. Let the present-day co-operator picture to himself a world in which co-operation should have attained the ends to which its accepted lines of advance are leading. There will be factories owned by the consumers, in which wage-earners grind grain, spin yarn, weave cloth and prepare machinery and every conceivable article for the needs of the local societies ; the factories will be manned by hirelings who habitually strike for higher wages, and who work slackly and reluctantly for the benefit of those who supply the capital of the institution. Other factories will be owned and run by agriculturists, in which wage-earners grind grain, spin yarn, weave cloth and prepare machinery and every conceivable article for the benefit of those who supply the capital of the institution ; the workers will be equally discontented and apathetic. Beside them will be carpenter institutions owned by those who work in them, struggling for capital ( which is owned by the consumers' and the agriculturists' organisations ) and resenting the competition of what they will regard as " slave labour." Is this chaotic rivalry, or is the predominance of self-regarding consumers or agriculturists, the best that co-operation has to offer ? The co-operator who looks into the future will be wise to accept the guildsman's alternative, that the worker in each occupation shall work for the common good at a fixed salary, controlling the conditions of his employment and passing on to the next class of worker ( from his point of view the consumer ) the material which he bought or received from the class which prepared it ( from his point of view the producer. )

But, it will be argued, each class will seek to make the maximum profit, and the cost of the article when it reaches the ultimate consumer, or even at the intermediate stages, will become prohibitive. Precisely

so, and therefore the guildsman and the prudent co-operator will discard all division of profit, giving regular pay to all employees and selling at a minimum price, sufficient only to build up a reserve fund or a welfare fund and meet such taxes as the State may impose.

C. F. STRICKLAND

### DENMARK : A CO-OPERATIVE COMMONWEALTH \*

For the last two decades, Denmark has been attracting intelligent persons even from the most advanced countries to study the methods in which economic problems have been faced in that country. The present volume has been written especially for the benefit of the agricultural States of America. It has, however, many lessons for the people of India as well.

The author truly writes that Denmark seems to offer the most interesting political organization in the modern world. It is one of the few countries in the world that is using its political agencies in an intelligent, conscious way for the promotion of the economic well-being, the comfort and the cultural life of the people. Whether we go to England, to France, to Germany, or to the United States, we find the political State an imperialistic organization—an agency of classes and groups, which does not represent or aim to represent, the great mass of the people, and it does very little to serve them. Denmark, on the other hand, shows that the State can control the distribution of wealth and increase its produce. It can destroy monopoly and privileges of all kinds. It can put an end to poverty and make it possible for all people to live easily and comfortably. Denmark has raised the standard of intelligence to a high point and has abolished illiteracy. It has ushered in a type of society in which equality of opportunity is not far from being an accomplished fact.

Denmark demonstrates the value of the small nation. It has the great advantage of keeping itself free from the ambitions to acquire imperialistic possessions or gain anything from a great army or navy. Denmark has abandoned these pursuits. It gave Iceland her freedom and has no overseas ambitions. It has no interest in other peoples' lands. It is concerned solely with the intensive development of her own territory and the promotion of the well-being of her three millions.

Co-operative organization is the feature for which Denmark is most widely known. It is universal among the farmers and is fast becoming

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\* Denmark: A Co-operative Commonwealth. By F. C. Howe, Ph. D. (George Allen and Unwin, 1922.)

universal in the towns as well. The movement partakes more of industrial democracy than it does of consumers' co-operation. The farmers own their own dairies, bacon factories, egg-collecting societies, banks and all kinds of breeding and developing agencies. Every second family is connected with one or more of the co-operative unions, and the average farmer is a member of three to ten such societies. His life centres in the co-operative. He acquires a knowledge of chemical, mechanical and industrial processes from the co-operative, and gets a very practical education in this way. Co-operation is, besides, an agency for protecting the farmer from exploitation. Through the thousand of co-operative societies the economic life of the people moves. The men who have been trained in the co-operative movement are the men who have risen to political power. This co-operative movement has ended the duality that prevails in other countries. The economic and the political States are merged. They reflect one another. The State is a farmers' State, and the political State mirrors the needs of the farmer.

The Danish farmer performs for himself almost all of the functions that in other countries are performed by capitalistic agencies. Not only does he grow his crops but he does also the manufacturing and trade business connected with his produce. He buys food for his cattle in distant markets, as well as agricultural machinery and the supplies of his household, he insures his house, crops, and live-stock, he does his own banking and establishes his own credit, he maintains cattle-breeding and control societies for the improvement of his cattle, he buys wholesale and sells to himself in retail at cost price.

Co-operation has not only eliminated excessive and needless overhead expenses, it has changed the social structure of the country. It has weakened capitalism and brought down the rates of interest. Co-operation with universal education and the system of small-landed proprietors is responsible for the change. Economic power has brought with it political power. It has weakened the power of the great landlords, and the exploiting group generally.

The Danish farmers have turned to intensive small-scale agriculture. For wheat-growing they have substituted cattle-breeding and butter and bacon making. They have wonderfully improved the breeds of their cows, so as to make them yield larger quantities of milk and butter. This has made Danish agriculture highly profitable. In forty years' time Denmark has become in many ways the most contented State in the world. Measured by the well-being of the people, Denmark is one of the wealthiest countries in the world, although its soil is not very fertile.



The farms are mostly of small areas. Of the 250,000 farms, 179,000 are under 37 acres. The average size of the farms on nine-tenths of the land was 32 acres, while 7 or 8 acres is considered to be sufficient for a small-holder to earn his living and to live in comfort, without undertaking any hired service.

Dr. Howe strongly maintains that the economic basis of agriculture consists in farm ownership and the small farm. Education, co-operation and farm ownership are the foundations of economic life. The kind of land tenure that prevails is the mould of the civilization of a State. It is hardly a coincidence that wherever we find landlordism, as in Great Britain and Prussia, there we have political reaction. It was this that explained old Russia. It was land monopoly that lay at the back of the Irish question and the continued poverty of the Irish people. On the other hand, wherever we find the people owning their own homes and cultivating their own land, there we find an entirely different spirit and a different political system. With ownership we find democracy, responsible government, and with them the hope, ambition and freedom that prevails in France, Holland, Switzerland and the Scandinavian countries.

In Denmark, according to the latest statistics of land ownership, only 10.1 of the farmers are tenants, while 89.9 per cent. are owners. Farmers owning farms of 12 to 147 acres work their own farms with the aid of some hired labour. They are well-educated and devote a lot of time to politics and the co-operative undertakings with which they are connected. They are called *gaardmaend* (gentlemen). They control the politics of their district and have been ascendant in Parliament for thirty years.

They know all about the modern scientific methods of agriculture, are familiar with the prices current, possess some skill in mechanics, and are frequently good chemists. They are saturated with a knowledge of scientific agriculture, but are not consumed with the ambition to be rich or to acquire more land. Their ambition is to be good farmers. They form the ruling political class of the nation.

Ambition, hope, initiative are impossible under a tenant system. This is why tenant farming destroys agriculture. The tenant will not improve the farm, for the improvements he makes go to the landlord; the owner will not make improvements, because it does not pay him to do so. Moreover, the tenant seeks to get as much out of the soil as possible and then to move on to another farm.

The Danish farmer studies how a cow should be bred and fed to produce the largest quantity of the best variety of butter and he makes and packs this butter so that it will please his customer. He studies markets and gets his soil analysed. He uses the latest agricultural and dairying implements, which he gets either co-operatively or by a joining group of men in the same village.

Denmark has been transformed by the people themselves. The peasant farmers have taken control of politics, of the marketing, buying and credit agencies of the country. They have developed a culture of their own and have almost abolished farm tenancy and substituted farm ownership as the basis of successful farming. The King is a popular constitutional monarch responsible to the will of the people. The King advises rather than commands in legislation.

Denmark is one of the few States in the world in which the privileged classes have been exiled from political power by means of the ballot. The Danish peasant and the Danish worker have carried political democracy further than in any other country. They first reduced the authority of the King. The landed aristocracy were next shorn of power. For over a generation, the peasants have controlled the Lower House, and along with the workers they now control both Houses of Parliament, the Cabinet, and all of the governing agencies of the country. Denmark is a political democracy in the fullest sense of the term.

All land of equal fertility is taxed alike. Land has been lately re-valued so as to provide a basis for land value taxation. The tax is 1.1 per thousand on the estimated capital value of land and buildings.

The Danish farmer is a land-owner, a capitalist (banker), a trader and a worker. He is almost self-contained. He has chosen to work through co-operative unions and agencies rather than through semi-socialistic State-controlled agencies as in Germany and Switzerland. The Dane is an individualist where individualism is most efficient and a socialist where socialism is most efficient.

Under acts passed in 1899, 1904 and 1909, the State set apart a sum of 5 million Kroner to make advances to would-be farmers (small-holders) at interest of 4 per cent. per annum. Their holdings averaged 7 to 8 acres. The loans were to be repaid on the following basis. During the first five years only interest on the capital was required. Then the loan was divided into two parts, one of  $\frac{2}{3}$ ths and the other of  $\frac{1}{3}$ ths. The latter was converted into what may be called public stock and was placed in the market for sale with the guarantee of the State behind it. It was sold through the Mortgage Bank of Denmark. On the other  $\frac{2}{3}$ ths of the loan

not sold as public stock, the borrowing farmer must pay 5 per cent. per annum, one per cent. of which was used for a sinking fund for the repayment of the principal. When the  $\frac{2}{3}$ ths section has been paid off in about  $46\frac{1}{2}$  years, the  $\frac{2}{3}$ ths section is converted from public stock to be paid off in the same manner, the entire loan being repaid in 98 years.

Lately, after 1914, a new law was passed, which includes a new form of proprietorship through a State lease-hold. The law provides that any man qualified to vote for a member of the Lower House of the Rigsdag, who can secure a certificate from the Lower Council that he is a sober and industrious person, may be provided with means to do so. No purchase money is required from the prospective owner. He is only required to pay interest on the value of the land, which is fixed by the law at  $4\frac{1}{2}$  per cent. per annum.

The new small-holders rent their farms from the State, the rentals being determined by the value of the land, which is periodically revalued. To aid the tenant in making improvements, the State advances money up to  $\frac{2}{10}$ ths of the total cost of the buildings, upon which the borrowers are not required to pay interest for the first ten years or more than it would have cost to erect the buildings in 1914. He can devise the farm to his children. If he wishes to sell, the State has the first right to buy at the price of appraisalment, the owner being fully compensated for his improvements.

The social laws lay down the working hours of labourers, the age limit for children working in factories, old age pensions, pensions to widows for the maintenance of children under the age of 14, sickness insurance, unemployment insurance, etc.

Under an Act of Parliament, the following principles have been laid down for fixing railway rates:

- (1) The rates should be such as help in the economic development of Denmark.
- (2) They should decrease rapidly per mile as the distance increases.

A commission appointed to go into the question of rates found the need for greater railway revenue, but it recommended that the rates should be increased only with the greatest caution. The increase must be moderate to avoid a falling off in the traffic. More efficient management, rather than the increase of rates, was relied on chiefly to increase the net revenue, and a two-fold plan was devised to accomplish this purpose. In the first place, the organisation which had been costly and complicated and highly centralised, was to be reformed. In the second

place, a system of profit-sharing was to be instituted in the hope that all the employees would then be interested in making the railways as profitable as possible. If the profits on the State railways exceeded 2 per cent. on the capital outlay, the excess was to be divided among the members of the General Direction and all the permanent staff, besides their salaries, in the following proportions :—

50 per cent. of the profits 2 to 2½ per cent. on capital.

30 „ „ „ „ 2½ to 3 „ „ „ „

10 „ „ „ „ 3 to 4 „ „ „ „

5 „ „ „ „ 4 to 6 „ „ „ „

As the profits approached 6 per cent. the portion for distribution among the staff became but a small fraction. The reason for this was that it was not wise to encourage the employees to work for too high profits as this might be done at the sacrifice of the best service.

The budget of any country indicates pretty accurately the class that rules that country. Wherever we find an approach to democracy, there the taxes are levied upon incomes, inheritances and wealth; wherever the Government is in the hands of the privileged classes, whether landed or commercial, there the taxes are indirect and predominate on consumption. The budget of a country is a mirror of the kind of Government the people enjoy. It indicates the class which controls the State.

Denmark is a free-trade country. Its industries require no protection. It has no rival to compete with its produce. The articles which it imports are not produced in the country. This explains the Danish system of admitting freely most of the imports of common use. It taxes beer and spirits heavily; sugar, tobacco and cigarettes are also dutiable. There are taxes on motor cars and amusements, besides a number of other taxes on corporations, legacies, and inheritances. The greater part of the revenues for State purposes comes from income-tax. A uniform tax of 1 l per thousand is imposed on the estimated value of all estates including land and buildings.

Direct taxation on incomes is levied at 1·4 to 5 per cent. on incomes over a certain limit. The first income of about Rs. 1,200 is exempt from taxation, while there are additional allowances for each child under fourteen. The profits of limited companies are taxed at 3 per cent. after the provision of a 4 per cent. dividend for shareholders. Legacy duties vary from one to three per cent. according to the size of the estate if the heir is a child of the legator, and rise to as high as 10 or 12 per cent. if the bequest is to distant relations. The remainder of

the revenue is derived from the State railways, post office, port fees and the national bank.

Of the total taxes of 405 million Kroners in 1920-21, 220 millions are from direct taxes. The budget is divided roughly as under :—

Support of trade and industry, 10 per cent.

Social betterment and amelioration, 30 per cent.

Army and Navy, 30 per cent.

Administration (Civil, Police, Pensions, etc.), 20 per cent.

Interest on National Debt, 10 per cent.

Of the 30 per cent. of the State income devoted to social work :

5 per cent. is devoted to old age pensions,

6 to 7 per cent. to hospitals and asylums,

5 per cent. to peoples' high schools,

5 per cent to scientific education.

The National Debt amounts to 32.50 \$ per inhabitant. It is invested in railways and small holdings of land.

Municipal taxation is derived from rates and enterprises like tramways. The rates are levied both on persons and properties. Incomes up to Rs. 1,000 are exempt, with Rs. 100 for every child. Above these limits, the rates vary from one to six per cent. according to the size of the income.

Dr. Howe lays special emphasis in his interesting book on the lessons which Americans may derive from a study of Danish practice in relation to co-operation, special schools, dairies, marketing agencies and credit facilities. The conversion of tenant and agricultural worker into a farm owner is also an achievement which deserves to be studied. He advises the farmers of America to take a keen and active part in politics like their confreres in Denmark.

The author gives a very gloomy condition of the American farmer, who like the Indian farmer works for speculators and middlemen. He has been reduced to a position akin to serfdom :

“ First, the American farmer produces for an unknown price and for an unknown market. He plants his crops, he employs labour, he incurs indebtedness, wholly in the dark. He does not know what price he will receive for his produce or whether it will yield him enough even to pay for his own labour. Prices are fixed for him first by the total out-put of the country or of the world, and second by commission men, speculators and buyers, who determine without consultation with the farmer what will be offered for what he produces. There is no competition among the buyers. Moreover, the price is fixed when the farmer has to sell.

It is fixed not by the public but by speculative agencies which control the market, buying at the lowest possible price and selling at the highest possible price. The farmer cannot store his goods for an opportune market, for he has no storage facilities. The banks are unwilling to make loans to the farmers. As a rule, the farmer must sell at the end of the season to pay his debts which have been incurred during the harvest season”.

These conditions are very like the conditions prevailing among Indian farmers. The Danish farmer is far better off.

CHANDRIKA PRASADA

### RECENT FRENCH LEGISLATION FOR AGRICULTURAL CO-OPERATION

The laws and Government rules affecting agricultural credit in France have recently been materially modified, and the modifications will be of interest in this Presidency, in which French methods have been particularly studied and in some important respects been followed. A new Consolidating Act was passed on the 5th August 1920 and under the Act, Government rules were issued on the 9th February 1921 which not merely codify and simplify previous regulations but also open the way to notable improvements in co-operative credit. It is a matter of satisfaction that the most important innovations introduced follow lines already adopted in this Presidency.

The first important change is that from this date all kinds of agricultural co-operative societies, whether credit or non-credit, can obtain long-term loans from Government funds. One of the most important of these classes is that of land improvement societies, for which similar advantages have been secured from Government in this Presidency from this year onwards.

The second of the great changes is that in future all credit societies including district banks can open current accounts without any limit, with the one exception that they must have fluid resources equal to the total of their current deposits. In practice, unfortunately, hardly any village societies have so far taken advantage of this permission, but the district banks are doing so largely and are thereby enormously strengthening the resources of the co-operative movement. The distinction between these provisions and the 8 to 1 rule in force in this Presidency will be noted, as well as the similarities both in theory and in practice.

It is also to be noted that the “National Office of Agricultural Credit” has now been constituted in a way that makes it, though

nominally an official department attached to the Ministry, in practice in many respects a body working on lines parallel to the Provincial Bank in this Presidency. Formerly, all loans had been dealt with on the lines of a Government Department, with consequent delays. Now the National Office, with a largely non-official directorate, treats these on true banking lines. The change shows that France has recognized, what we have long accepted, the need of a central regulating banking institution serving as apex to the movement, even though its organization remains official to an extent that would not here be considered desirable.

The following detailed provisions of the new law deserve attention from co-operators in this Presidency:—(The sections of the law are quoted for purposes of reference.)

No "shares" in any co-operative credit institution can be dealt in and they can be transferred only by surrender with the previous sanction of the society (Sec. 3).

Loans are divided into three classes, short-term, medium-term and long-term. Short-term loans are only for the period covering the work or activity for which they are required and are covered by personal pro-notes. Medium-term loans upto ten years are for the arrangement or improvement of farms and holdings or the purchase of cattle and must be secured by sureties, "warrants", deposit of securities, or mortgages. Long-term loans upto 25 years are given for purchase of land or land improvements, and must be secured on mortgages or life-insurances. They may not exceed Rs. 12,000 to any member. Both medium-term and long-term loans must be repaid by annual instalments. (Sections 6 to 8).

Any property bought or improved by such long-term loans may be constituted into "family properties", which are inalienable and are exempt from attachment or sale by any order of a Civil Court. But the society retains its lien on such a property (Section 9).

No society can pay interest exceeding 6 per cent. on its "shares", or exceeding the rate it charges on short-term loans, whichever is the lower (Section 16). On the other hand, the rates of interest charged on short-term and medium-term loans must not be lower than the interest paid on shares nor higher than 1 per cent. over Bank rate (Rule 7). Actually the usual rate on such loans is now 6 per cent. On long-term loans the rate of interest is 2 per cent (Section 8).

District banks can lend affiliated societies sufficient funds to form a working capital, but this amount must not exceed the amount paid by the society to the district bank as shares. (Section 12). The explanation

of this provision is that, in France, the primary society pays all its own "share" capital direct into the district bank as subscriptions to its shares.

Societies may accept current accounts from any person and may also accept securities in deposit. They cannot, however, accept loans from elsewhere without the previous sanction of the Minister (Section 14). Resources in realizable assets must be equal to the total held in deposit (Art. 16).

75 per cent. of the net profits after paying interest on the shares, must go to the reserve fund till it amounts to twice the share capital and 50 per cent. thereafter (Art. 17).

All societies are inspected and controlled by the Ministry of Agriculture, and the working of primary societies is also controlled by the district banks (Rules 71 and 72). In practice, most district banks provide for an annual inspection of each primary society, whether credit or non-credit, and of further inspections when required.

In considering the new scheme as it works, it must be remembered that in France the primary credit society is really little more than an agency or branch of the district bank. It adds to the function of a branch only that of providing a mutual guarantee for all loans and a watch upon the conduct of members and their use of loans. But the primary society is in no sense a bank itself. It does not hold cash in the village, it does not invite deposits, it does not collectively borrow money. What the primary society does is to scrutinize all demands for loans by its members and to recommend them, to look to their use, to collect instalments, and to get bonds and documents duly executed. The loans are actually sanctioned by the district bank, which scrutinizes all the documents sent up by the primary society. In practice, the village credit society collects shares from its members and re-invests this share capital entirely in shares of the district bank as it does also its reserve fund. This method is obviously not altogether advantageous. It limits enterprise and is apt to induce stagnation in the villages. The higher officials in the Ministry seem to recognize the disadvantages and would like to see village societies developing independent resources and management. They have, therefore, authorized them to accept current deposits. But the pressure of the district banks is too great to allow such independence. Their distrust of human nature is too strong; their disbelief in the peasants' power of honest and capable management too deep-seated. The district banks insist upon the primary societies working merely as their agents and doing all their business through them; and their financial power is so overwhelming that they



can enforce their wishes. Actually, they use their power to the advantage of the members of their dependent societies. They supply money on easy terms, they give them every assistance in their operations, they even send them monthly statements of all instalments due from each of their members; but they do not allow them self-management. The relation is like that of a Mamlatdar to a Talati in regard to Tagavi accounts and collections. It is not what we are accustomed to in the relations of our district banks to our village credit societies. The result is that in the villages we have many failures, and they have no successes. Their members and their village societies are safe but do not achieve anything brilliant; our best societies are revolutionizing the country-side economically, socially, and morally, but many are still thoroughly unsound and dangerous.

The new law, has, however, vastly stimulated both the district banks and non-credit agricultural societies. By being allowed to accept current accounts, both from societies and from individuals, with no limit in proportion to share-capital and only the limit of having available assets equal to the total liabilities, they have been able to increase their resources immensely even in one year and there is little doubt that the increase will be rapidly progressive. In time, it may enable the banks to dispense with Government assistance entirely except for long-term loans. It is already going far to extinguish their dependence on Government funds for short-term loans, always the weakest link in the French co-operative bond. Thus, in the district bank for the district of Loire-et-cher, one finds at the end of 1921 that with a share capital of three lakhs and reserve funds of another three lakhs, the current deposits were about 25 lakhs, having almost doubled in one year. In all district banks, even in reports of the previous year, one finds the expectations of a similar increase freely expressed. In some cases, as in the central bank for the Côtes-du-Nord one finds a large increase in the share-capital subscribed to and transferred by the primary societies in the last months of 1920 in view of the rapid increase expected. Further, by substituting the National Office of Co-operative Credit with its banking methods for the old departmental system, district banks now have current accounts of their own with that office to which loans sanctioned by the Office are credited and against which they draw as and when they need, as our district banks do against the Provincial Bank and as we are trying to get primary societies to do against district banks, instead of having to take the whole lump loan at one time in actual cash.

In one respect, the district banks in France have the advantage of ours, that is, their share capital is mainly owned by primary societies.

Thus at St. Brieux the writer found that of a total of 7½ lakhs of share capital, 5 lakhs were subscribed by societies and 2½ lakhs by individuals. Most of the individuals also were members of primary societies; all were agriculturists. As is well-known, one of the main problems in this Presidency is the rapid increase of share capital in the district banks by subscription from societies first and secondly from cultivators. In France, the membership of district banks comprises many thousands in each case, but all are either societies or agriculturists. Hence it follows that all funds now invested in the district banks, whether as shares or as deposits, are the money of genuine agriculturists.

Non-credit agricultural co-operation has equally gained by the new legislation. Now any co-operative society of any kind, that directly or indirectly assists agriculture, is entitled to loans, even long term loans, from Government, through the district banks. The societies so authorized include societies for the manufacture of all articles or implements useful for agriculture and for all agricultural operations of collective interest, like cold storage, electric power, housing for agricultural labourers, drainage works, and of course all societies for the purchase and sale of agricultural requisites or produce. Such societies may receive loans up to six times their share capital, on condition either that the bye-laws enforce the joint and several liability of all members for the liabilities or that the members of the managing committee themselves personally stand surety for the repayment. The result is that all societies of this class can at once find themselves with a working capital of seven times the share-capital subscribed by the members. In this Presidency, under the scheme now sanctioned by Government, land improvement societies will find themselves provided with loan-capital to the extent they require with no more difficulty than in France, but for other non-credit agricultural societies, such as for instance ginning societies or manure and seed societies, a satisfactory solution can hardly yet be said to have been found. The chief glory of agricultural co-operation in France has been in its magnificent development of non-credit work, in its enormous number of well-run insurance societies, its fine syndicates for the purchase of agricultural requisites, its co-operative distilleries, its co-operative use of electric power; and the new legislation is fostering the growth of this branch of co-operative work, so all-important to national development and prosperity, to an extent that should immeasurably add to the happiness of an already happy and cultured people.

OTTO ROTHFELD

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## CO-OPERATIVE MOVEMENT IN CENTRAL PROVINCES

Readers of the "Bombay Co-operative Quarterly" are sure to have seen the editorial article in the "Quarterly" on the C. P. Co-operative Committee's report and therefore they do not need any introduction, at my hands, to the recommendations of the above-mentioned Committee. I shall simply content myself by informing the readers that the C. P. Government has since framed a resolution on the Committee's report and it is to this that I wish to invite their attention in what follows.

A remark could be hazarded at the outset that while the resolution has disillusioned the framers of the recommendations who desired that they should be 'adopted in their entirety' and that 'no essential link be removed' and have also expressed that unless this were done, they could not 'conscientiously recommend their suggestions for the crop finance of the movement to the commercial banks,' it has not proved a little less so to those of the non-official critics who were sanguine enough to suppose that their criticism would tone down the rigour of the recommendations of the Committee. With the exception that Government agrees to the retention of the Provincial Bank and reject the penal clauses and the suggestion to make the Co-operative Societies Act provincial, there is practically nothing which has not been accepted by the Government in spirit though under a different garb. The ultimate goal which the Government has set before it is very laudable and quite in keeping with the views of co-operators all over the world but the methods which the Government has outlined to attain it do not seem to be leading the movement towards that end. In more respects than one, the Government has decided to keep co-operators under the tutelage of the Government staff. Under the present auditing staff of the Government, which the latter had not felt inclined to increase in the interest of the general tax-payer, nearly half the number of societies can be audited by the Government and the other half have to depend upon the Federation auditors, and a microscopic number of trained local auditors from the rural area. Verily, it will take years before even the primary audit can be completed jointly by the Government and the trained literate members of societies unless the Federation auditors, though under a different status, remain there to supplement the Government staff.

As said above, nearly half the audit is being done by the Federation auditors, and if gradually the literate members were trained to audit and the extra charges for audit realised in accordance with the scale prescribed by the committee were made available to the Federation and the funds thus obtained were supplemented by contributions from Government, a time would come when the conduct of the primary audit would vest entirely in.

the hands of the Federation. This was exactly the aim which the leaders of co-operation had in view in this Province when they delegated the powers of maintaining an audit staff to the Federation. This very policy has been endorsed by the Maclagan Committee. The latter desired that only the super-audit should be left to the Government staff. If the Government is prepared so utilise the agency of half-educated rural auditors to assist Government staff, will it not be advisable to put to the best use the organisation already existing by delegating to it powers of audit under the statute ?

Under the arrangement suggested, it is usually contended that the audit conducted by auditors paid by the societies, whose servants they in fact will be, will not inspire as much public confidence as the Government audit does. In reply to this, one may ask whether there has been a single complaint up till now as to the genuineness of the audit done by the Federation auditors. Are they not being paid by the societies even now ? Yet have even the Government auditors raised their finger against them ? It might be said in reply that, being at present under the control of the Registrar, they are not responsible to the societies which pay them. So the essence of the matter is that they should be responsible to persons who have no direct hand in the working of the societies, and surely the Federation is such a body. While possessing qualities just mentioned it holds, over and above, the position of a body in which organised opinion of the whole province is focussed and can thus prove a better foster-parent of the affiliated societies than an outside Government agency. Besides, while the Government will save, on the one hand, a good deal of trouble and expense, the Federation will have some important duties to discharge and have opportunities of coming into closer touch with the working of societies than it would otherwise have if it were reduced to a mere propagandist body without responsibility.

In making these suggestions, I do not hold out for a federation that has no parallel in any of the Provinces in India or elsewhere. In Germany, for example, the Imperial Federation has for one of its objects "auditing as required by law of accounts of central organisations and of societies directly affiliated to the Federation". It is sometimes found that the President of a Raiffaion Union is the managing director of the local branch of the Raiffaion Central Bank. If this is the order of things in Germany, what harm is there to entrust audit to a body which, while having in itself the representatives of the various affiliated societies has no direct concern with this or that society ? It would be as much an impartial body as the Government and will inspire the same confidence in the public as the Government audit is held, rightly or wrongly, to be

doing. In fact, the present Governor of the Central Provinces Federation had mooted last year this question of giving over to the Federation the entire primary audit and very few differed from him, though there was considerable difference of opinion as to the scale for the levy of audit charges.

But a non-official representative body should not stop here. It should be a potent instrument in creating a strong public opinion in matters affecting the general interest of co-operators, and when the latter are pitted against the policy dictated by Government, the Federation should voice the feelings of their members with all the force at its command. It should carry home to the agriculturists the principles on which co-operative banking is based by undertaking a vigorous propaganda year in and year out. The Federation should also enlighten public opinion by conducting a magazine, publishing year-books and collecting co-operative statistics, and create a unity of force in the hearts of the co-operators by holding conferences and congresses periodically. In fact, the whole organisation should work on well-known democratic principles, not losing sight even for a moment of the business side of its working. The Registrar must be responsible to the general congress of the co-operators to which he should report action taken in accordance with the decision arrived at by it. It is believed that if the whole movement works on these lines, the pious wishes of the Government expressed in the sentences quoted at the commencement of the article will really materialise. If the Government fails to do this and wants to recede a decade or two back from the present policy and ignores the awakening brought on by the world forces not to speak of those in this country—under the pretext of reaching a stage “at which the management of central banks will instead of being in the hands of a small number of philanthropic gentlemen, as it is at present, be thoroughly representative and democratic,” it will prove to all thinking people that it does not mean what it says.

As to how the Local Government has erred in allowing central banks to connect themselves directly with a joint stock bank will be evident from the following words of the Maclagan Committee: “An apex bank of this nature should have as its express object the direction of provincial finance by the control and support of central banks. Central banks should be prohibited from dealing with each other or with Presidency or joint-stock banks except through its medium, while it should itself be obliged to confine its dealings with co-operative institutions to central banks and leave them to work of dealing with societies.” It will also be equally appropriate to reproduce in this

connection an extract from the Madras Administration Report of the Co-operative Department for 1920-21. "With the rise in number of central banks and the consequent steady increase of the work thrown upon the Imperial Bank in watching their working and periodically scrutinising the securities, the system of allowing separate overdrafts to each individual central bank has become too cumbersome for satisfactory working. A scheme has, therefore, been suggested under which the Imperial Bank will have only one account with the Provincial Bank, the latter in turn accommodating individual central banks. The total overdraft that can be spared for the whole co-operative movement will be placed at the disposal of the Provincial Bank which will, in consultation with the Registrar, distribute the amount among the various central banks."

Another point may be mentioned. There are many who question "the propriety of the maintenance of an intermediary which enhances the cost and therefore the rate of interest ultimately payable by the agriculturist member of the primary society." In reply to such critics one can do no better than quote further a few more lines from the Madras Report. "The Provincial Bank will be allowed  $\frac{1}{2}$  per cent. commission on the transactions. Under the proposed system it will be possible for the unused balance of one central bank to be utilised by another. The Provincial Bank and central banks agreed to the scheme which is now under consideration by Government." It is presumed that if the Central Provinces Government finds itself, in spite of the recommendation of the Committee to the contrary, unable to "scrap" the so-called "superfluous intermediary" of the Committee's creation, there is little ground to believe that the Madras Government would find reasons to dissociate itself from the unanimous acceptance of the proposals contained in the foregoing extract. Happily, the Madras scheme seems to be almost identical with the system in vogue in the Central Provinces.

In every country where co-operation has made some headway, direct financial help has been reduced to the minimum and wherever it is given lavishly such as in Egypt or Italy, true co-operation has ceased to flourish on sound lines. Even admitting this, one cannot but remark that in the event of scarcity of money arising out of the general failure of crops or some such unforeseen circumstances it will be the bounden duty of Government to come to the rescue of agriculturists by lending money in the form of "takavi" through co-operative organisations. The very fact that even during the financial depletion brought on all over the world by the recent War, the co-operative movement in the C. P. did not feel the necessity of relying on Government aid.

shows that co-operators would not entreat the Government to come to their succour unless they were caught in the real vortex of circumstances beyond their control. On the contrary, if the crisis is due entirely to the making of the co-operators, Government is perfectly justified in disclaiming any financial responsibility of a direct nature.

Apart from this, there are instances in India as well as elsewhere where Government have subsidised and still subsidise non-official organisations which subserve the ends of co-operation and foster its growth. They also make special grants for audit and the starting of new societies for purposes other than credit. To be brief, I would merely draw the attention of the readers to the Bihar and Orissa Co-operative Federation which had received an audit contribution of Rs. 17,192 during 1918-19 and hoped the same to be increased to Rs. 36,467 during 1919-20. The Bombay Central Co-operative Institute and the Bengal Co-operative Organisation Society also receive grants from Government for propaganda and education. After all, what is the percentage of Government help to the total finances of the co-operative movement in India? It is stated in the Government of India Resolution dated June 1914 that this proportion hardly exceeded 3 per cent. The Maclagan Committee remark that in all Rs. 37,900 were lent out by Government upto 1914, and the Committee proceeded to say that "they have for the most part served their turn and found that they were almost everywhere being repaid with punctuality." Coming still nearer in point of time, we find that out of the total working capital of the whole movement in India aggregating Rs. 214,071,000 for 1919-20, Government loans amounted only to Rs. 3,758,000, that is, hardly 2 per cent. Looking to our own Province we find that the Provincial Bank issued debentures of the value of Rs. 150,000 partly at guaranteed interest at 7 per cent. and partly at 6 per cent. and the Government took no responsibility, while the Bombay Central Bank issued debentures carrying interest at 4 per cent. which the Secretary of State has guaranteed on the strength of the Provincial revenues. During the last crisis, the Central Provinces Government had to lend Rs. 8,48,096 forming only 6 per cent. of the total working capital of the movement in this Province and it will be, it is hoped, ere long paid off by the central banks. So the crux of the matter is that it is only in dire necessity that the central banks have to fall back upon Government, and if the Government extends help after convincing themselves that all other means of meeting the situation have been tried by the non-officials and found wanting, it is no special favour on the part of the Government nor would the public raise an outcry against such use of the tax-payer's money by its custodians.

It is further argued in the Resolution that because the Government wants to undertake duties of supervision, it must invest the Registrar with suitable authority. It is stated that "no officer entrusted with the important duties of the Registrar will exercise his authority in such a way as to hamper the promotion of thrift and self-help or discourage honorary workers." Has the Government not declared its policy times out of number that the interests of the innocent public will be safeguarded even under drastic legislation, but how far, one pauses to ask, has the executive respected the sacred wishes of the Government on the one hand and the feelings of the people on the other? The present Government is so constituted, one regrets to observe that even the popular Ministers and the Reformed Councils cannot properly check the vagaries of the executive.

The non-officials in this province have already recorded their opinion against fixing a high standard of 'efficiency bar' for primary societies, but in spite of this it has not been reduced to a lower percentage by the Government. There is not much quarrel over maintaining double sets of accounts, provided the system, is found feasible, which is doubtful. With the exception of dispensing with the Committee's suggestion of making the Registrar's recommendation as a condition precedent to obtaining access to the commercial bank, the Government has not felt itself inclined to disallow the Committee's suggestion that Government supervision is not only to be continued but also to be strengthened.

In pursuance of the Government policy just mentioned, Government has acquiesced in the Committee's recommendation to equip the Registrar, with powers of issuing license to the managers of central banks and annulling the election of any unsuitable office-bearer and appointing paid or unpaid workers to manage the affairs under certain contingencies. This is a direct blow to co-operation which stands for democratic management of internal affairs of co-operative banks. The manager, being licensed by the Registrar, will often find himself on the horns of a dilemma. He will have to obey two masters which is practically impossible. The system will breed discontent among the honorary office-bearers with the result that a time may come, and it will not be very long, when the Registrar will have managers, exclusively of his own unfettered choice, and the non-officials will have to pull on with a man who though apparently subordinate to them, will have support from above, namely, from the Registrar. Having thus sown a seed of discord between the officials and non-officials the system will yield a bountiful crop of dissension and friction between



the two camps. Similarly other powers referred to above, namely, those relating to the Registrar's authority to annul the election of non-officials, though it is said they are to be exercised subject to appeal to Local Government, will injure the self-respect of non-officials. They will find themselves pitted against the Registrar who is after all a paid official, and being honorary workers they will consider it beneath their dignity to engage themselves in a duel with him by appealing to the Local Government. Government has offered a kind of a defence of their position, but it cannot convince those who have during the recent years observed carefully the mentality of the officials. They want to carry everything by self-dictated rules, and whoever shows any signs of independence and asserts his rights is declared an obstructionist and disloyal to the Government.

In this connection, one would like to draw attention to the administration of the local bodies under the new reformed Government. There also the elections of the officials are to be confirmed by the head of the Division. In spite of the working of the Act for half a century, the position of the elected officials is still shaky and the elections can be vetoed if the official is found unpalatable. As a concrete example, pointed reference may be made to the episode of the Katol Municipality. The members elected a non-co-operator and the Deputy Commissioner had the goodness to veto his election twice. Such is the wonderful mentality of the executive displayed in carrying out the pious wishes of the Government. It is therefore essential that the Government should not have given powers of disciplinary action to the Registrar, but as a precautionary measure these powers should have been enforced through the Federation or some such central institution, if really the Government wanted to work in the interest of honorary workers.

Then, as regards the imposition of the territorial limits on the acceptance of deposits by central banks. Perhaps Government had no idea that very few would allow themselves to be duped by the illusive terms in which the Government have expressed their opinion on this part of the Committee's recommendation. The Government should have stated in clear words instead that they accepted the Committee's recommendation as it was, rather than indulged in circumlocution. With regard to fixation of rates on deposits and loans also, the Government has played upon words. Instead of the words "must be subject to the Registrar's sanction" the Government has substituted the words "incumbent upon central banks to consult the Registrar beforehand as to the rates of interest they propose to adopt."

While referring to this part of the recommendation, Government has justified its position on the score of necessity in times of crisis for one central authority which can foresee and take action to safeguard the interests of the movement as a whole. This attitude of the Government assumes infallible powers of judgment and expert knowledge in a single individual, against which idea all prominent co-operators and thinkers have pronounced themselves. Co-operation in the Central Provinces had in years past advanced so far as to delegate powers of fixation of rates on deposits and loans to the co-operators themselves at their central meeting, but now Government want to embark on a retrograde policy in this respect too as in others.

Further, Government has felt inclined to retain the Provincial Bank, but desire that it should first be dissolved and then reconstructed. Can reconstruction not take place without dissolution? Where is then the necessity of dissolving the Provincial Bank? Could the word dissolution be an expression unwittingly used? The surmise cannot stand as Government has experts under it to detect every nicety of expression or is the word used to please the Committee by doing their will first and then mending matters to please the non-officials? Then there is to be a central board at the head of the Provincial Bank, but the Government is singularly silent about its personnel. Why should Government have concealed from view the composition of such an important board it is difficult to understand. It would have been better if Government had been courageous enough to state frankly what it felt unless it expected the Registrar to decide the policy.

In conclusion, I would state that the policy chalked out by the Central Provinces Government does not contain germs of the ultimate decentralisation of the co-operative movement and the transfer of its control into non-official hands. I fear the movement will break on the rock of public indifference. It is likely that those of the non-officials who have so long kept the wheels agoing might withdraw their help. The movement may come to a break up which may frustrate the motives with which it has been so kindly ushered into existence by Government. Constructive proposals regarding the future organisation of the Federation will follow in another article.

V. D. KOLTE

## PROGRESS OF CO-OPERATION IN INDIA

### BOMBAY

Considerable tracts of the Bombay Presidency where co-operation has developed had again an unfavourable season during the year 1921-22. Only Gujarat, Khandesh, and Sind had normal seasons, while in

parts of the Deccan and of the Karnatak this was the third bad year in succession. Considering these unfavourable features of the agricultural season, it is indeed a matter for satisfaction that overdues in agricultural societies, which stood at  $16\frac{1}{2}$  lakhs on total outstandings of a crore and a quarter, increased only to  $19\frac{3}{4}$  lakhs while the outstandings increased to a crore and a half. These figures show no increase in percentage, but still Mr. Rothfeld is not satisfied with the progress made in recoveries, despite these adverse conditions, and draws almost an alarming picture of the position in rural societies.

In Bombay, however, the movement has become so all-embracing that the character of the season does not affect progress as it does in other provinces. In the year under report, for instance, the total number of societies increased from 2,956 to 3,411, their membership from 2,71,958 to 3,27,831, and their working capital from Rs. 3,31,57,203 to Rs. 4,35,30,450. The working capital of the non-agricultural societies increased by about 40 per cent. to the level of the working capital of agricultural societies, while the increase in the resources of central societies was also satisfactory. Notwithstanding that no efforts were made by the official staff or non-official organizers to organize new societies, the number of agricultural societies increased from 2,382 to 2,753. Membership rose by about thirty thousand to 2,08,085, and the working capital by twenty-five lakhs to Rs. 1,60,13,575. The growth was not confined to credit societies, as agricultural non-credit societies increased from 110 to 146. Credit societies increased from 2,382 to 2,753. The system of share capital has been introduced only in Sind, where nearly three lakhs were held by 385 societies. Proportionately, the reserve funds and members' deposits of these societies are smaller than in the societies in the districts of the Presidency proper. Owned capital, as composed of members' deposits and reserves, formed about 30 per cent. of the total resources, a higher proportion than attained in any province with the exception of the Punjab. Out of the 36 lakhs held as deposits, a good portion represents the result of voluntary savings, although gradually this practice is being replaced by the system of compulsory deposits obtained by deductions from loans. The reserve funds are still small, but this is natural in view of the narrow margin that subsists between borrowings and lendings and the fact that expenditure amounting to over one per cent. of the capital is incurred by the societies. Another satisfactory feature is the amount raised as outside deposits. Most districts, with the exception of those in Sind, show satisfactory figures, and the total outside deposits held are higher than those found in any other province or State in India, and nearly 35 per cent. of the combined figure for all provinces and States. Co-operative credit seems to flourish in all

except the Konkan districts, and Mr. Rothfeld urges that in view of the peculiar agrarian conditions prevailing in the Konkan it will be instructive to inquire whether the credit form of co-operation affords any solution of the economic and social problems of that tract, or whether other forms of co-operation can be introduced with any chance of success. A similar inquiry is necessary into the conditions of the dry zones of the Deccan where credit alone, unsupported by any attempt at rural economic betterment, has failed to afford any relief to a peasantry suffering from the ravages of successive bad seasons.

The most successful type of agricultural non-credit societies are cotton sale societies which numbered 13 at the end of the year and had sales of 20 lakhs worth of *kapas*. There are business-like societies at Gadag and Hubli in the Southern Division, at Pachora in East Khandesh, and at Sonsak in Surat. Sales in the well-managed societies run into a few lakhs, and in some places the only thing now required is the organization of business on lines which will enable the societies to capture the custom of the mill-owner in Bombay without the intervention of any local *dulals*. There are a few societies for the sale of other varieties of produce, the most successful of which are a grain sale society in Sind and a society for the sale of chillies in Dharwar. The shops run by the Bombay Central Bank for sale of gun and supply of manure and implements are not registered as separate societies but are adjuncts to the Bank's branches. There were ninety societies for the sale of implements and the supply of seed and manure, but none of these have developed into the efficient institutions that some of the sale societies are. Cattle-breeding societies numbered 24, but the Registrar is not very sanguine about their prospects. Cattle insurance societies increased from 6 to 9 and had insured risks amounting to Rs. 12,060. The year witnessed some departmental re-arrangements for ensuring proper co-ordination of the activities of the two Departments of Co-operation and Agriculture. An attempt was also made to associate non-officials with the work of agricultural organization through co-operative agency, and six divisional boards of co-operation and agriculture were created to advise and assist in the promotion of agricultural developments in their respective divisions. The boards are expected to supervise the work of the agricultural field staff of both the Departments, to control the grants for propagandist purposes available at the disposal of the Agricultural Department, and to make recommendations in respect of such Government loans as are made by the Co-operative Department to special types of societies. Taluka development committees working under the direction of

the divisional boards and employing paid officers are being organized in several centres and are expected to interest themselves in propagandist activities and the upkeep of demonstration farms. Another interesting departure was the decision arrived at by Government that loans for agricultural improvement under the Land Improvement Loans Act should in future be available in villages with co-operative societies only through the societies. The allotment sanctioned for the purpose every year is to be placed at the disposal of the Provincial Bank which will examine schemes in consultation with the Registrar and sanction loans to the primary societies and central banks dealing direct with it.

Out of the total number of non-agricultural societies, 370 were institutions for credit, an increase of 57 over the previous year's figures. Thirty-five of these worked on an unlimited liability basis. They are societies of backward and labouring class communities and command the small working capital of a lakh and a half. Over a third of the outstandings are shown as overdue, and in view of this common experience this type of societies has made no progress in recent years. The 335 societies with limited liability are not all of them very flourishing institutions, but altogether they had a membership of 94,569, and a working capital of a crore and eight lakhs. A fourth of this sum represented shares and reserves, and over half was raised by deposits from members themselves. Outside deposits contributed a sixth of the capital. Overdues stood at 7 per cent. The larger societies—whether of the communal, departmental or of the people's bank variety—employing a working capital of half a lakh or over numbered 21, and most of these are efficient business-like bodies capable of standing comparison with urban banks in any co-operatively advanced countries. Hitherto they were conservative in their methods, but latterly they have begun to introduce in their working modern credit instruments such as the draft and cheques. They have opened current accounts, and have commenced granting cash credits and overdrafts to members instead of tying themselves down to the system of fixed loans repayable in fixed instalments. The only cause for complaint would be that this development is not general but is confined to a few districts mainly in the Karnatak and the Deccan, and that important centres like Ahmedabad or Nadiad, Jalgaon or Nasik are still without their people's bank which can promote local trade and industry, and can prevent the penetration of outside capitalist banks in a sphere of finance which should be the special province of the co-operative bank.

The remaining 191 non-credit, non-agricultural societies may be divided into two main classes: consumers' societies including build-

ing societies and producers' societies including weavers' societies. The consumers' movement unfortunately failed to take deep root when it was introduced in the Presidency three years ago. This was probably due to the policy governing this branch being subjected to a process of wholesale transformation almost immediately after its introduction, before those who joined it had a clear grasp of what they were after. Fourteen societies of this type were cancelled during the year, and on 31st March 1922 there were 85 societies with a membership of 6,760 and a total subscribed capital of Rs. 2,23,914. Sales amounted to Rs. 7,52,375. The difficulties of these societies have often been examined in this journal. These are want of continued custom on the part of members, lack of unremitting attention on the part of committees, absence of proper arrangements for making wholesale purchases, and the inefficiency of audit and stock-taking. The first two defects can be remedied only by the education of members in the underlying principles of consumers' co-operation, for the latter two the remedy lies with co-operators themselves, and the starting of unions or wholesale agencies has often been proposed as the best solution of the difficulties. Housing societies which are really a branch of consumers' societies numbered 34 at the end of the year. They had a membership of about five thousand and a total working capital of 30 lakhs, of which ten lakhs were shares and eight lakhs members' deposits. Building operations have been completed in eight societies in Bombay city and suburbs, and even more could have taken the work in hand had possession of land in the suburbs been given to them by the Development Department. There are three societies in Dharwar and eight in Karachi, but it is surprising that there is no society either in Poona, Ahmedabad, or Sholapur in all of which places the population has grown considerably in recent years, and the congested conditions of the residential localities are reflected in the figures of mortality, particularly among infants. Advantage was taken by Mr. Rothfeld of his visit to England, while on leave, to obtain legal opinion on the bye-laws, leases, and other terms of tenancy in co-operative housing societies, and Mr. Rothfeld is hopeful that if the revised bye-laws and leases are introduced the legal position will be cleared up and safeguarded.

One of the most interesting developments of co-operation in this Presidency during the last few years has been the organization of producers' co-operative societies. Among agricultural workers the only types of producers' societies that have been organized so far are dairies. These numbered eight, but only two or three of them are reported to be working satisfactorily. There were

also registered during the year two societies for the collective cultivation of land and hopes are entertained that this type of society may, if successful, revolutionize economic conditions in the Konkan—where peasant proprietors do not thrive—or in the Deccan where with recurring famines schemes of improvement cannot be undertaken by small cultivators and where uneconomic holdings have increased in recent years. The producers' movement is, however, intended mainly for industrial workers, as agriculture is an industry the pursuit of which on a collectivistic basis has not yet been proved successful except to a certain extent in Italy. Among artisans, handicraftsmen, and workers in small industries work carried on in common for a master craftsman or an employer is not unknown, and, moreover, workers are often members of the same caste or community. The first attempts to organize production through the new types of societies where work would be carried on in common for common profit were made in 1920, and in less than two years 18 societies have been organized, some of which are reported to be working very satisfactorily. The best of them is a society of coppersmiths at Poona, with a working capital of over forty thousand. There are societies of cobblers and carpenters, potters and goldsmiths, and a new co-operative foundry was started to provide work for the men who lost their employment after the last strike at the G. I. P. Railway workshops. Two interesting experiments in labour societies deserve mention. One is a society for salt workers in Karachi which has obtained a contract for the transport of salt to the port, and the other is a society in Broach of the Bracchianti type which undertakes contracts for the construction and repair of roads and buildings. Weavers' societies still work on an individualistic basis, and not a few of them confine their activities to the provision of credit. The number of these societies was 53 and their working capital Rs. 3,16,000. Fifteen societies undertake the functions of supply, sale, and credit, twelve of credit and supply, and the remaining provide credit facilities only. A new departure has been the starting of three societies among Dhangars who weave woollen blankets.

The number of guaranteeing unions for supervision of agricultural credit societies increased by three to 67. These had 445 societies affiliated to them commanding an aggregate capital of 53½ lakhs. The unions had in their employment a staff of 104 supervisors, and the total expenses incurred during the year were Rs. 20,700. This expenditure is half of the total cost of management in central banks—which in addition to the duty of inspection have offices and do banking business—whose working capital exceeded the capital employed in societies affiliated to unions. But Mr. Rothfeld

finds this sum spent by unions insufficient, and adds to his general condemnation of the union system an additional charge based on the figures of amounts spent by unions for inspection. If the position of the best of central banks in the Presidency is compared with that of an average union it will be found that both in regard to the quantity and quality of inspections and the amount spent on supervision the union shows better results. There may be a case against the union system, but if there is one let it be presented fairly and let it be based on arguments and facts and not on impressions.

Central banks increased in number by one to 19, and their working capital rose by about twenty-lakhs to 62 lakhs. 10½ lakhs were held as shares, reserve funds amounted to a lakh, and nearly 40 lakhs were raised as outside deposits. Advances from the Provincial Bank amounted to 8½ lakhs and about three lakhs were held as deposits from societies. Against deposit liabilities of over forty lakhs, the banks held 9½ lakhs in cash and 4½ lakhs investments. It may be remarked that only three banks had any substantial investments, their total holdings being over four lakhs as against less than twenty-five thousand in all the others put together. Overdues increased to thirteen per cent. of the total outstandings, but the position is serious only in Ahmednagar where scarcity conditions have prevailed during the last three years. Expenses on management and inspection increased by 19 thousand during the year, but not all the banks have yet engaged either a well-paid manager or a full-time inspector. Some of the banks have too small a clientele to permit their engaging full-time inspectors, others cover so wide an area, that close and continuous and withal responsible and reliable supervision is very difficult to secure. Branches have been established so far only by two banks, and both have been successful in their exchange business, whatever else they may or may not have achieved. The Provincial Bank increased its working capital during the year from 47 to 65 lakhs, but it has reduced its outstandings with primary societies, and the bulk of the increase in capital was utilized in accumulating fluid resource for the movement. Investments in securities and banks amounted to over 11 lakhs at the close of the year. Overdues appear to have increased in the year under report, but as these are found in the dry tracts instead of as in previous years in the irrigated canal areas the arrears may be merely reflecting the economic upheaval caused by recent years of scarcity and famine in the Deccan and the Karnatak where the Bank's business is concentrated.

The report makes mention of the work of the Institute during the year. Mr. Rothfeld observes very rightly that in recent years it has been the policy that propaganda, organization, and



supervision should be transferred to co-operative institutions and that no increase in the official staff for these purposes is asked for or sanctioned by Government. On the other hand, the annual audit is conducted entirely by an official staff and as agricultural primary societies and smaller urban societies do not pay for their audit Government have to incur increased expenditure with the growth of the movement. This is an essential item of expenditure for the promotion of a movement for economic and social betterment, and Government should not grudge defraying it. But all work of propaganda and education, supervision and training should be carried on either by the central federation of the movement through its branches and paid and unpaid workers or by central banks and unions. Honorary organizers, whose number, it may be observed, stood at 186 at the end of the year, rendered yeomen service in the earlier days and had a place in the organization in the absence of any recognized, responsible and representative unofficial organisations for propaganda and education, training and supervision. With the branches of the Institute working under the control of local co-operators and with unions and central banks engaging their own agency for supervision, the functions of this class of non-official workers need to be wholly transferred to these bodies. There is now no place in the movement for a body of workers who stand in no organic relation to the movement and it is to be hoped that at an early date, some arrangements will be devised to merge these useful workers into the Institute and its branches, central banks and unions either in an honorary or a stipendary capacity.

#### ASSAM

The most important feature of the progress of co-operation in Assam during the year 1921-22 was the starting of an apex bank for the Province. The Provincial Bank had at the close of the year a share capital of Rs. 19,010 subscribed for by 21 individual and 27 society members. Deposits from individuals and societies amounted to a little over ten thousand, and Rs. 25,000 were taken as a loan from Government. Half of the working capital thus raised was invested in primary societies and half in central banks. That Government had to be called upon in a normal year and for ordinary requirements to contribute almost half of the working capital bears out the view expressed in the review of the last report from Assam, published in the issue of this journal for March 1922, that local conditions did not seem to favour the establishment of an apex bank for the Province and that the requirements of the movement could have been met immediately by entering into some arrangements with the Provincial Co-operative

Federation of Bengal to finance the existing central banks in Assam. The number of these banks increased during the year under report from 14 to 16. This number includes one banking union of weavers' societies which, however, is reported to have done no work during the year. Three among the central banks are of the capitalist type having individuals only as shareholders and financing individuals as well as societies. Now that the Province has an apex bank, these banks may well be asked to choose between two lines of work, either the financing of individuals or of societies. Two of these three banks employ nearly half their capital in loans to individuals and may well be converted into urban banks, while the third may choose to deal with societies alone as its outstandings with individuals are not considerable. It is to be noted that while these three institutions command a working capital of 4½ lakhs, the remaining 13 central banks in the various districts—all of the mixed type—possess an aggregate capital only of a lakh and three quarters. No supervision over primary societies appears to be exercised by these banks, and the system of supervisional unions which was tried in the Province does not appear to have given satisfactory results. As against three unions in existence in 1919-20, only one union is reported to be now working. Agricultural societies increased in number from 464 to 555, their membership from 21,638 to 24,579, and their working capital from Rs. 5,15,279 to Rs. 7,07,211. The new registrations were 83 but the Registrar states that the increase in numbers was brought on more by the splitting up of a large number of unwieldy societies rather than by the organization of fresh societies. The policy was to refrain from any special propagandist effort and to concentrate on consolidation, improvement, and intensive development. The Registrar mentions that the membership does not consist of needy borrowers alone, but includes those who join with the aim of placing their credit at the disposal of fellow-agriculturists requiring financial assistance. Another interesting feature is that deposits from members which stood at Rs. 82,861 are high in proportion to other provinces and along with the reserve funds of nearly two lakhs, constitute over 40 per cent. of the working capital. Over forty thousand are raised by outside deposits. Recoveries during the year showed a slight increase over the previous year's figures, although the overdue arrears are still high. Non-agricultural credit societies numbered 25 and had a membership of 3,726 and a working capital of Rs. 5,30,851. The internal capital amounted to Rs. 3,31,430 and less than ten thousand were taken as loans from central societies. There are no agricultural non-credit societies in the Province and the only type of non-agricultural non-credit society in existence is

the purchase and sale society. The number of these societies increased during the year from 25 to 32, and their working capital from a lakh to a lakh and thirty thousand. The progress achieved is not general and only a few of the stores are reported to be working satisfactorily. The audit of all societies is conducted by departmental officers, but fees are realized from the societies audited. Among non-official workers in the Province, apart from those connected with central and urban banks and stores, are nine honorary organizers. It is interesting to find that for the first time in the history of co-operation in the Province a provincial co-operative conference was held during the year under report.

#### AJMER-MERWARA

The year 1921-22 witnessed a small decrease in the number of societies and their membership in the Province of Ajmer-Merwara. This reduction occurred among agricultural societies which in spite of the fresh registrations fell in number from 481 to 460, the membership declining from 12,102 to 10,192. 450 of these were agricultural credit societies with a total working capital of Rs. 20,13,372. Of this amount, 13½ lakhs represented loans from central banks, over 4 lakhs share capital, and nearly two lakhs the aggregate reserve funds. Deposits from members stood at the negligible figure of Rs. 672 while Rs. 65,716 were raised as deposits from non-members, chiefly in the Ajmer district. The year under report was the fourth successive unfavourable agricultural season, and the distress caused by the failure of harvests was aggravated by the persistence of high prices. Little progress was possible under such conditions, and the Registrar writes that attention was concentrated on the improvement of the existing societies and on the education of members, office-bearers, and the supervising staff in co-operative principles. As a result of these efforts, the amounts of recoveries showed an increase, and considering the unfavourable character of the season the repayments were, in the Registrar's opinion, satisfactory. There was a fall in the amount of loans advanced during the year, but the percentage of loans advanced for productive purposes showed a slight increase. The Registrar well observes that loans for unproductive purposes can be eliminated only when the members get control over their produce after being freed from their obligations to money-lenders. The number of agricultural non-credit societies was reduced during the year by the cancellation of 11 sale and supply societies. The ten existing societies comprise one society for the production and sale of ghee and nine sheep-breeding societies which are reported to be doing well. The number of non-agricultural societies increased from 34 to 43, and their working capital from Rs. 2,45,587 to Rs. 2,66,036. The total

membership was 4,088. 27 were credit societies with a limited liability, fifteen for factory-workers, one for scavengers, and some for different communities like the Kshatriyas, Kayasthas or Christians. There was also included among these an urban bank which seems to undertake the work of cotton ginning and pressing, although it is difficult to see how these activities can be associated with banking. There was one large store for the employees of the B. B. and C. I. Railway at Ajmer, with a membership of 3,046, a working capital of Rs. 76,062 and sales amounting to Rs. 3,18,548. The remaining non-agricultural societies were industrial societies for credit, purchase and sale; eight for weavers, two for oilmen, one for Regars and one for dyers. The societies for weavers are reported to be working well and had sales of raw materials aggregating to Rs. 15,918 during the year. The number of central societies increased from 6 to 7, and their working capital from Rs. 19,36,732 to Rs. 20,23,605. Four of these were central banks, with a share capital of Rs. 2,38,850 and reserve funds amounting to Rs. 1,31,023. Deposits amounted to Rs. 16,15,983. The premier bank at Ajmer is in a very sound position and has accumulated resources sufficient to meet the needs of the Province. It was able during the year to reduce its rate of interest on loans. In the area covered by this bank there is another smaller bank which is not doing equally well and the Registrar is inclined to favour its conversion into a branch of the bank at Ajmer. Of the remaining three central societies, one is a store for industrial societies with a membership of 11 and a working capital of Rs. 15,340. It supplied during the year articles worth Rs. 12,005 and also made advances to industrial societies aggregating to Rs. 14,300. The other two central societies are supply unions of the type found in the Punjab. The membership of these was 135 and the working capital Rs. 8,136. The supply work is conducted through credit societies and the value of articles supplied during the year amounted to about twenty-five thousand rupees. This included cloth worth Rs. 6,000, food grains worth Rs. 15,000, and salt worth Rs. 1,500. The unions also undertake the disposal of agricultural produce on behalf of societies and sales were effected to the extent of over five thousand maunds of article like cotton, wheat, barley, gram, maize and chillies. Societies of all types make contributions towards the cost of their own audit, and the expenses on the auditing and supervisional staff incurred during the year amounted to Rs. 25,088. The Registrar calculates that societies contribute as much as 28 per cent. of their profits towards the cost of administration which represents a very heavy drain on their income. Government, he suggests, should contribute handsomely towards the audit staff employed by societies.

## COORG

There were, until recently, no central banks or unions in Coorg which could arrange for the supervision of the primary societies affiliated to them, and the Registrar in his report to 1921-22 complains that progress has been hampered by lack of facilities for adequate and efficient supervision. Co-operative education is carried on by the Registrar during his visits of inspection, and small local conferences are occasionally held. In one taluka supervision is conducted by a supervisor paid out of levies raised from societies. A central bank was started during the course of the year but it will be some time before it can take over, as it contemplates doing, the work of supervising the societies affiliated to it, the number of which stood at 48 at the end of the year. The bank has a share capital of Rs. 4,440 and a total working capital of Rs. 13,940. The number of agricultural credit societies increased during the year from 83 to 87, the membership from 3,998 to 4,182, and the total working capital stood at Rs. 1,96,138 showing an increase of Rs. 25,286 over the previous year's figures. All except about thirty-five thousand represented the members' own capital, contributed in the form of shares, deposits and reserve funds. The amount of loans repaid showed an increase over the previous year's figures, but the percentage of collections to total demand showed no corresponding improvement, and the Registrar attributes the overdues to lack of supervision resulting in growth of habits of unpunctuality among the members of societies. A contributory cause is the restriction placed on the powers of members to mortgage their lands to their societies. Mortgages are permissible for loans advanced for purposes covered by the Land Improvement Loans Act and the Agriculturists' Loans Act. In view of this restriction, loans cannot be made on the security of mortgages for liquidation of old debts and for essential domestic requirements. The Registrar very rightly holds that unless redemption of debt is taken in hand and members are freed from dependance on the money-lender, the introduction of co-operative credit will in no way improve their economic condition as the crops are generally hypothecated to creditors, and these take away the grain as soon as it is harvested. The system of grain banks is for this reason popular in Coorg and the number of these increased by 5 to 45 during the year under report. The total value of the grain held by the banks was Rs. 21,565 at the close of the year, of which nearly two-thirds were lent to individual members. Recoveries are satisfactory, and the rate of interest, namely 25 per cent., is half the market rate on such advances. The paddy collected was sufficient to meet the demand of

members for seed or for consumption after the monsoon. Non-agricultural societies increased in number from 9 to 11. The aggregate membership was 1,162 and the working capital Rs. 38,689, of which less than a thousand rupees were raised from outside sources. Ten are credit societies and one a store for teachers with a membership of 131, and sales aggregating to Rs. 5,000 on a share capital of Rs. 779. The number of cattle insurance societies remained stationary during the year under report, but the membership fell from 281 to 266, and the value of cattle insured declined from Rs. 3,379 to Rs. 2,887. The amount for which insurance was undertaken was fully covered by the capital resources of the societies.

#### MYSORE

The report on the working of co-operative societies in Mysore is later this year than is usually the case, and the reason given for the delay is that the Registrar was engaged in the work of the committee of inquiry, which toured through the State during the year 1920-21, visited a number of societies, and examined numerous witnesses. The report of the committee has not yet been published although it is nearly a year and a half since it finished its inquiry. In the meantime, schemes of improvement and of expansion are being postponed pending the publication of the committee's recommendations, and in several directions the movement shows signs of stagnation. For instance, the increase in the number of societies during the year was 98, proportionately smaller than in any previous year. Both the membership and the working capital remained practically stationary, while the volume of transactions showed a considerable decline. The number of agricultural societies increased from 1,162 to 1,225, and the working capital from Rs. 23, 83,447 to Rs. 23,95,108. Membership declined from 51,942 to 49,249. 1159 of these were credit societies, all except 106 of the unlimited liability type. These have a system of shares of the value of Rs. 10 payable in monthly instalments of annas four to eight, and bearing a dividend of 6 to 7½ per cent. The capital contributed by the members formed nearly half the total resources, and the deposits from members were proportionately higher than in many provinces which have adopted the share system. Outside deposits were raised to the extent of a lakh. Overdues amounted to over nine lakhs against total outstandings of nearly 24 lakhs, and the percentage of collections to demand fell off during the year under report. Nearly a third of the loans advanced were on mortgage security, and it is interesting to find that no less than 28·3 per cent. of the loans were advanced for redumption of old debts.

The total number of agricultural non-credit societies as seen from the statements accompanying the report was 76, and of these 68 were societies for the supply of seed, agricultural implements, and manure. The commodities supplied include oil-cake, paddy mixture, ploughs and spare parts, sugar-cane mills and improved varieties of seed for different crops. Of the other non-credit societies, 4 were classed as production societies, 3 as production and sale societies, and 3 as miscellaneous types of societies. In the body of the report mention is made of one society for irrigation, one for dairy farming, one for sale of agricultural produce, and three for jaggery boiling and rice hulling. None of these is said to be working particularly well. Nine grain banks are reported to have been registered during the year making a total of 56. Ragi is collected as share capital and lent to the members for maintenance or seed. The number of non-agricultural societies increased from 222 to 286 in the course of the year. Membership also increased from 38,243 to 40,508, and the working capital from Rs. 34,13,795 to Rs. 34,84,689. Credit societies numbered 143, and all except 19 were of the limited liability type. These had a working capital of over thirty lakhs and an aggregate membership of 32,609. The bulk of the capital was owned by the members, outside deposits and deposits and loans from societies and central banks being less than 4½ lakhs. The number of stores is reported to have increased from 60 to 75, and sales amounted to over eight lakhs on a working capital of about four lakhs. A central stores for the purchase of goods at wholesale rates was started during the year, and had a turnover of about a lakh and a quarter on a working capital of less than fifteen thousand. The number of weavers' societies increased during the year from 40 to 45.25 of these societies include among their functions the supply of raw materials, the introduction of improved tools and designs, and the sale of products. Fly-shuttle looms were supplied to six societies, and silk winding and warping machines ordered for others. The working capital of the societies amounted to Rs. 1,60,000, inclusive of a Government grant of Rs. 25,500. Purchases and sales were made to the extent of nearly four lakhs each. There were five societies for sericulturists, two for sandalwood-carvers, two each for brass-workers and shoe-makers, and one each for lacquerware artisans, ivory inlayers, jewellers, oil-mongers, mat-weavers, and rattoon-weavers. A society was started during the year in Bangalore for the promotion of home industries among women. The number of societies specially intended for members of the depressed classes increased from 29 to 40.

The number of central societies increased during the year from 18 to 19, but their working capital decreased from Rs. 20,02,858 to

Rs. 19,89,706. The bulk of the capital is concentrated in the central bank at Mysore and the Provincial Bank, both of which have substantial share capital and have raised large public deposits. The former bank deals with individuals to the extent of nearly half its resources, the latter deals only with societies and central banks. Both banks make arrangements for the inspection of societies affiliated to them, but as they cover a large area and have transactions spread over the whole of the State their supervision cannot be very systematic or efficient. The smaller banks which are called federal banking unions do not appear to have done well, and while in almost all provinces the tendency is to increase the number of central financing and supervising agencies by starting smaller banks and unions, in Mysore as opportunity offers itself the federal unions are being converted into district banks. Thus the number of unions was reduced from 13 to 12 during the year, whereas the number of district banks increased to five. But only one of the district banks has any considerable resources. This is a capitalist type of bank having individuals mainly as shareholders and making advances to individuals as well as societies.

The investigation into the economic conditions of members of co-operative societies which was commenced four years ago was continued and inquiries were made into the position of members of some 70 rural societies. Inquiries have now been completed for 440 societies whose operations extend to 2,160 villages with a population of 9,84,900. The membership of the societies was 28,680 and 10,450 of these were returned as having no debts. The aggregate indebtedness of the remaining 18,230 members was found on examination to be 45 lakhs and their total assets Rs. 2,27,02,000 before they joined the societies. Indebtedness at the time of investigation had increased to 50 lakhs and the assets to two crores seventy lakhs. Of the amount of debts, twenty three lakhs were due to societies and the remainder to money-lenders. Government truly observe that the figures, as they stand, offer no data for any economic theories or for any measures of practical utility. They desire that complete investigations should be carried out in a selected area and a full report submitted about the results obtained.

#### HYDERABAD

Like the Deccan districts of the Bombay Presidency, the State of Hyderabad has unfortunately had a succession of bad seasons, and the economic condition of the agricultural classes has consequently deteriorated from year to year. The demand for co-operative credit has in a sense been stimulated by these conditions, for credit is required in an increasing measure, to an extent which local money-lenders cannot provide, for purchase of cattle and fodder, for sinking



of wells, and for supply of seed and provisions. In the year 1920-21, the total number of societies increased from 1,252 to 1,438, their membership from 30,912 to 37,393, and their working capital from Rs. 63,78,812 to Rs. 86,44,440.

The number of agricultural societies was 1,264 as against 1,120 at the end of the previous year. The membership increased by about 4,000 and the working capital by over twelve lakhs. The owned capital composed of shares and reserves constituted 21.86 per cent. of the total resources. Deposits from members were scarce and so were deposits from non-members, except in the district of Aurangabad, where the societies started by Rev. Wilkie Brown of Jalna, have outside deposits of over a lakh and a half. As against nearly thirteen lakhs advanced during the year, repayments are shown to be a little under two lakhs, and yet the overdues are reported to be less than two thousand against total outstandings of Rs. 39,48,059. The report makes no mention of the progress in recoveries, but considering the character of the season, this could have been hardly satisfactory. Loans for repayment of old debts amounted to nearly a lakh and a half, and for wells about a lakh. It is doubtful if despite its progress in co-operation as represented by figures, the Bombay Presidency can show equally satisfactory figures of advances for these essential purposes. 1,337 acres of land were redeemed during the year, 1041 wells were repaired, and 106 new wells were sunk with the aid of these advances. There do not seem to be any agricultural non-credit societies in the State, and the only mention of any activity in the direction of promoting purchase and sale is in connection with the proposal made by the societies in Jalna to arrange for the sale of cotton in Bombay. There is also some reference to the revival of the fruit industry, and to the prospects of starting societies among growers of grapes and figs at Daulatabad.

The number of non-agricultural societies increased during the year from 122 to 162, their membership from 4,810 to 7,014, and their working capital from Rs. 4,48,010 to Rs. 7,17,461. Of the total number, 110 were credit societies, all except four of the limited liability type. Their working capital of five lakhs and a half was mainly owned by the members, the external contribution being about half a lakh from central banks, and a lakh and a quarter from non-members' deposits. Most of the urban credit societies are of the departmental type, though there is reference to one communal society of Brahmins and another of sweepers. Stores increased in number from 6 to 13, and among the new institutions is an industrial store at Hyderabad which is expected to develop the industries of the State with the aid of a loan to be obtained on favourable terms from Government.

Among the industrial societies there were 34 for weavers, some of which are reported to be doing well. There were two societies of paper-makers, and special efforts are being made to place the ancient paper-making industry on a sound basis by the provision of facilities for finance and for marketing without the intermediacy of a middleman. There were also societies for carpenters, brass-smiths, and hackney-carriage drivers.

With the starting of two new central banks, the total number of these stood at 12 at the close of the year. Their working capital increased during the year from Rs. 27,43,669 to Rs. 30,24,061. About 16 lakhs were raised by deposits of individuals and societies, nearly seven lakhs by shares and reserves, and over 12 lakhs, or 34·34 per cent. of the resources, were contributed by Government. The proportion of State aid to the total resources of the movement showed a fall during the year and no fresh advances are reported to have been received by central banks with the exception of a sum of Rs. 2,87,459 to be advanced to individuals through societies on account of Tagavi loans. Still, it must be observed that some of the banks do not appear to have established their local credit sufficiently to enable them to tap deposits freely. There is no provincial bank, and apart from the cash and investments which stood at a lakh at the close of the year—as cover for deposit liabilities of 10 lakhs—the only source upon which the banks can fall back is H. E. H. the Nizam's Government—which is not a very satisfactory position from the strict co-operative or business standpoint. As in other States—with the exception of Mysore—public interest in the movement is negligible and in several districts the main support of the central banks is some local official. It is to be hoped that with the growth of the central banks and of the movement in urban areas, the sympathies of an increasing number of non-officials will be enlisted to the cause, and the responsibility for raising funds and for securing the safety of advances will be transferred to them.

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## REVIEWS

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### Wealth and Welfare. The Case for Rural Economics.\*

This heading generalises our writer's title and thesis; but not beyond his own understanding and presentment of them. For though writing in and for the Punjab which he knows and sets before us so well,

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\* The Wealth and Welfare of the Punjab: being some Studies in Rural Economics. By H. Calvert, B.Sc., I.C.S., Registrar Co-operative Societies, Punjab; Author of the Law and Principles of Co-operation," Lahore, Civil and Military Gazette Press, 1922. Rq. 6.

his viewpoint and contribution are those of rural economics; and thus his book may be taken as largely of a fresh type; one most worthy to serve as the first of a whole series by various other competent authors, as these form themselves and can be found; dealing with each and all of the great regions of India, and each in its agricultural and thus fundamental aspects. Just as books like Dr. Mann's and Mr. Kanitkar's Village Surveys (lately reviewed in these columns—April 1922), give vivid presentments of local conditions, and thus invite—in deed demand—kindred surveys everywhere, so does this larger treatment of Mr. Calvert's. Thus with these two orders of description in progress—the local survey of typical villages, and the general account of whole provinces—India would begin to know herself far better than she yet does; and with good result all through, from villages to towns and cities. For though these, of course, require their individual monographs also, their populations would be immeasurably enlightened as to those real relations between country and town, on which Mr. Calvert has so much to say, and to the point.

For here is one of those rare books on economics—peculiarly rare so far as the ordinary English-reading public is concerned, since this is still far too little in touch with the best rural thought of the United States or of Ireland—books which show to urban minds, absorbed by their own urban affairs of manufactures, commerce and finance, or of administration and politics as townsfolk see this—a fresh vision of the really fundamental world, in all countries, for all regions, even the most industrialised—that which provides them with their daily food, as well as so much of their essential materials, as cotton, for only a single choice: and further that which occupies and concerns the predominant mass of the population.

That the need of this fresh view of economics as fundamentally rural, and thus politics also, is not confined to India, our writer makes clear from his first page, as by a quotation from a leading English Review—"The ignorance of the urban majority in this country on agricultural matters is so colossal and so genuine as almost to deserve respect." But with all this scientific impartiality, and current criticism, from which British Indian administrators and economists are by no means excluded, it is plain that Mr. Calvert is writing with the full current of devolution in view. And since "it is the townsman who will supply the province with its future councillors," his book will be found invaluable to all who desire to fit themselves for such service, or for their share in the selection of their representatives. Nor less so for their critics for here is a Civil Servant, still of too rare type and career, not that of administration from above, but of actual co-operation, with the peasant,

and thus for him. As "Registrar"—a too coldly official term for so active an Organiser—of Co-operative Societies in the Punjab, we have here a man who has identified himself with its peasants, through intimate knowledge and true sympathy; yet more fully than can the best of officers with his soldiers, the best of doctors with his patients; since entering into and realising far more completely the circumstances and difficulties of their life, their outlook on life accordingly, and last and greatest, the need for all of us, who are not of rural but urban occupations, to re-learn our economics accordingly, and modify our politics in accordance with this as well.

This book thus also calls for no less serious attention from critics of the present order of administration and government, even to the most ardent of non-co-operators; since the question here set before us is not whether we are with those actually in office or position or against them—but whether or no we understand rural economics as the basal and major elements of economics. And as the mass of economic literature is of the urban, manufacturing, commercially exchanging and monetary type, and this, whether "classical" or "socialistic" in teaching or tendency, Mr. Calvert's prime contention for the primacy of rural economics, cannot be too urgently supported.

Within these limits, neither his argument nor his main outlines can be summarised: and the object of this notice is not to save the reader trouble by outlining these, but to refer him to the book itself, as one of illumination, greatly needed by most, and helpful to all who already share his general rural viewpoint.

Enough here to say that this is not simply a good broad outline account, with a description, criticism and forecast of wealth and welfare in the Punjab, but that, in principle it almost amounts to a fresh presentment of Indian economics—and thus becomes one of the best of introductions to the study of economics generally, since in so much truer perspective than that so long traditional, and still customary. For here we start in the Place, Work and People, in their real lives: and not with "Industries" (usually omitting man's basal due of agriculture) or worse still with "The Market", with "Supply and Demand", "Capital" and "Labour", and like attractions—terms which belong to that happily past phase of treatment of physical and natural science, when people wrote long treatises on the "Laws of Nature", without really investigating them.

Our writer has prepared himself in the far better school of historical and comparative economics. He knows well, and makes good use of the agricultural and economic development of England and other

countries, and also gives illuminating and suggestive comparisons of conditions in the Punjab with those of other lands—for example, from America, Denmark and Ireland to Japan; on which in view of our scanty real knowledge but wide-spread interest, he will be found informative and interesting.

After his preliminary chapters on the outline of rural economics—he analyses the economic situation of the Punjab: first in concrete geographical terms, of position in general, and of roads, railways and canals with increase of agriculture and thus trade, from irrigation especially. He discusses the soil—happily of such unusual excellence, as this poor world goes; with discussions of the currently diminished economic pressure, however still present; standards of living and influence of revenue demand are also gone into; and next the areas and types of Punjab holdings—with their cultivation and cropping, and those too, frequently more or less disastrous fragmentations. Thence to a valuable though too brief, discussion of the Punjab problem; with demand for further research, and for rural education as helpful towards the needful agricultural progress still so slow.

Tenancy and ownership are next outlined historically as well as statistically, and their respective pros and cons summarised. The price of land, and its current rise, with press of investment in that direction—with too little good for agriculture accordingly—are next set before us; with the abuse of rural credit and the working of the Land Alienation Act as attempted remedy. This section of the book ends with a chapter "On the Price of Wheat" which is more widely instructive than its title might to most of us suggest.

We now come to the Prospect for Industries: a clear discussion, with many puncturings of popular and current views—again too large a subject for outline here; but which cannot be too strongly recommended as an advance upon the current literature he broadly reviews, though specific writers are seldom mentioned. This brings our writer to his main thesis—that of all industries, it is agriculture which most requires and deserves encouragement, alike of capital investment and technical (rural) education; and which will best reward these. And this in the Punjab especially, for good reasons given: though these reasons apply far more widely also all over India, than most professed economists, let alone amateur or political writers have often realised, in recent years especially.

Of the concluding chapters one deals, only too briefly, with the place of co-operation in the modern State, and with agricultural co-operation in the present century; with its progressive elimination of the middleman

and usurer as burdens on agriculture. The next deals faithfully with the economic causes of Punjab poverty; and the last interestingly and sharply discusses the rival policies of Protection and Free Trade, now so widely under discussion.

Here then is a book which cannot be too strongly recommended not only to the student of economics, but to all who are interested—as who is not?—in the wealth and welfare of India. Its general value as an introduction to the rural point of view in economics, and thus as a vital correction of the dominant urban ones, however extreme their sectarian differences—must again be emphasised; as well as its illuminating study of one of the great Provinces.

Of course the reader is not asked to agree with every word: one main merit of the book is its stimulating quality. The present reviewer, for that matter, belongs to a somewhat considerably different school of rural economics from our writer; and thus finds himself less completely in agreement with him at various points than the previous pages may suggest so that new pages might readily be filled, were this review a controversial one. But the whole subject of rural economics is so foreign to most people—even those but trained in that which calls itself “Political Economy”, but is too often little more than the urban misunderstanding of that, that this review may best end as it began with a cordial, and practically unreserved welcome of this most important and valuable book; and with a recommendation of it, insistent far beyond ordinary reviewing to all interested in economic and social questions.

P. GEDDES

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**Agricultural Co-operation in England and Wales.** (By W. H. Warman.  
Williams & Norgate, 5/-.)

This is a short and lucid account of the agricultural co-operative movement in England and Wales and admirably serves the purpose intended by the author of giving a clear picture of the present position of agricultural co-operation in that country. There are very few useful books on the co-operative movement in England and such a publication, therefore, especially after the War, is quite opportune, when the agricultural industry requires far greater help in the direction of business organization than it ever did before. The achievements of agricultural co-operation in other European countries are a common knowledge but very few people are aware of the advance agricultural co-operation has made in England and Wales and hence the special value of such an authoritative publication.

After indicating the importance of co-operative movement during the present transitional period after the War, the author considers the movement from different points of view of the farmer, the consumer and the nation as a whole, and shows that the movement is beneficial from whatever standpoint it is looked at. The second chapter deals with the early history of co-operative movement in England and Wales and brings out the fact that the growth of this movement is comparatively of recent date. Little progress was made during the nineteenth century. The real work began after the establishment in 1901 of the central co-operative institution called the Agricultural Organization Society, and the work and progress of this body are a fair index of the advance of the co-operative movement. But the State aid which the movement has been receiving since 1909 and the reconstruction of the A. O. S. on a democratic line gave a real impetus to the co-operative movement in the country. The War conditions, further, made the people realise the great value of the co-operative movement and the urgent necessity of its wider application to a far greater extent than before. Hence we find the rapid increase in the number of co-operative societies during the period of the War. The societies which numbered only 550 in 1915, increased to 1,121 in the year 1918. Large sums of money were made available during this period to bring co-operation into existence on a national scale. The passing of the Small Holdings Acts of 1907 and 1908 and the financial assistance from the State which averaged about £8,000 per annum, made possible the great advance which the movement has now achieved.

Much of the credit for this progress of the movement is due to the valuable services rendered by the staff of the A. O. S. to spread the gospel of co-operation by means of meetings, lectures and literature. They established societies, large and small, in different parts of the country, and thus provided the farmers a system of trading, capable of competing with the trade organizations. At the beginning of 1919, the Central Organising and Advisory Body of the movement carried on a big campaign over the whole country to create a complete system of farmers' co-operative societies, with remarkably successful results.

A map in the book gives at a glance a vivid picture of the present position of the co-operative movement. There are (at the end of 1920) in all 1,558 co-operative societies carrying on various types of co-operative activities with a total turnover of £17,814,409 during the year 1920. Besides the general trading societies, there are societies for special purposes. Thus there are societies for agricultural machinery, societies for seeds, societies for other agricultural produce and various co-operative

depots. It was, however, recognised that the co-operative system could not be complete until a wholesale society was formed, and hence in 1918 the Agricultural Wholesale Society came into existence. Its record hitherto is one of increasing activity and larger turnover, and it promises to be a great force in the organization of agriculture.

The following three chapters give a brief account of the special-purpose-societies, mainly concerned with the disposal of farmers' produce. It is shown that a steady progress is being made in each of these kinds of co-operative societies—such as the dairy societies, the meat and wool societies, and the fruit and vegetable societies.

The chapter on small holdings and allotments summarizes the work of the most important type of co-operative society. More than seventy per cent. of the total number of co-operative societies are small-holdings and allotments societies, affiliated to the Agricultural Organization Society. These societies secure lands on leases or by purchase for their members, and supply practically all they need on a co-operative basis and sell all their produce with advantage. Farming on small scale is becoming a popular policy in the country especially after the War, and, consequently, requires co-operative help to enable the small farmer to compete with the business man. In connection with finance and credit, it is indicated that credit co-operation which has succeeded so well in all other countries, including India, could not establish itself in England and Wales on account of various reasons, the important one being the complete banking system already existing in that country. But still the question of finance for agricultural industry is one of the chief difficulties which must be overcome either by State aid, by establishing a large central bank or by trying again to establish co-operative credit societies, and thus making the necessary capital available so that the agricultural industry may prosper.

The final chapter indicates the future lines of co-operative work. It is shown that for some time to come attempts should be made at consolidation instead of only at expansion. As in the past, small societies must certainly be organized and worked but what is more needed is to keep the goal of the union of all the farmers in the country.

No doubt, "the message of this book is one of encouragement to British Farmers", as said by Sir Leslie Scott in his preface to the book. But co-operators in India will find the book very suggestive and useful as it gives a wider outlook on the whole subject of the co-operative movement and shows the unlimited avenues for co-operative developments in India, especially in the field of non-credit co-operation in which India has made very little progress so far.

N. V. K.



**Report on the Administration of the Department of Agriculture, United Provinces,  
for the year ending 30th June 1922.**

In an agricultural country like India, the Agricultural Department must occupy a very prominent place in the administration of a province, and the Report under review is an indication of the numerous methods by which that Department may increase its usefulness and importance.

In view of the increasing duties falling to the share of Deputy Directors of Agriculture five new posts of the Deputy Directors in the Imperial Service were sanctioned in the United Provinces last year. Scientific experts are and should be in the Imperial cadre but as the Deputy Directors are more or less administrative officers there does not seem to be any special reason why these posts should be reserved for the Imperial service.

It is a long standing demand of the people that the Government farms should be differentiated according to the purpose for which they are meant. The experimental farms should be small and may or may not pay their way, but the demonstration and seed farms must in all cases be paying concerns. This point of view seems to have been recognised by the U. P. Department, and the various farms are being differentiated according to their aims.

There seems to be a steadily increasing demand for agricultural education in the Province, but on the whole the agricultural education given is of a much lower type than that given in Bombay. It is now proposed to affiliate the Agricultural College at Cawnpore to the University. This will surely attract a better type of students and the course then can be made highly scientific. For management of estates and farms, suitable men may be turned out from agricultural schools, but the object of the college and University courses should be to turn out men who will carry on research work, men who will show new lines of work, and men who will be in a position to solve the difficulties of the people.

The fourth chapter of the Report is devoted to the help given by the Department to the public. In the absence of any organised seed trade, the provision and distribution of pure seed for sowing purposes becomes one of the important functions of the Department. Implements and manures are also distributed by the Department. The public demand for all these is slowly but surely increasing. The Department is useful to the public in various other ways but the greatest help which it is rendering is the organisation of the private farms. It is fully recognised by the Agricultural Department that the organisation of small farms must take

place along lines of association. Agricultural progress is dependent on credit facilities and the organisation of the ineffective small units of capital into larger effective units can be brought about by the co-operation of the departments of Co-operation and Agriculture. The U. P. Agricultural Department is rightly endeavouring to promote this co-operation to the fullest extent.

D. L. S.

## EDITORIAL NOTES

At the Provincial Conference held at Poona in 1921 the following resolution was passed on the subject of redemption of old debts :—“ The Conference is of opinion that systematic attempts should now be made to redeem from their debts, members of such societies as have been in existence for some years, and are being well managed, provided :—

- (1) that complete liquidation schemes are prepared as detailed in Mr. Mehta's note,\*
- (2) only such members as have shown themselves thrifty and capable of utilizing their loans properly are so redeemed,
- (3) members who are to be redeemed give an undertaking that they will not have recourse to borrowing from any outside agencies without the consent of their society.”

This resolution represents a line of action which is generally acceptable to all co-operators, but recently orders have been issued by the Registrar which render extremely problematical the framing of any scheme of debt redemption such as will pass the tests prescribed by him. The conditions which are likely to render nugatory the systematic programme the Conference had in view are those which attempt to *define* the distinction between the economic and uneconomic cultivators when preparing schemes, *prohibit* redeemed persons from borrowing or buying on credit from outside, *insist* on voluntary deposits from individuals, *prescribe* rigid rules about the selection of debts from the point of view of the purpose for which they were incurred, and *demand* settlement or compounding of debts before there is any certainty of the requirements being met. In addition to the conditions mentioned in last year's resolution, a number of new restrictions have been introduced, which render the proposals absolutely rigid and do not permit of much room

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\* Vide article on Redemption of Old Debts in the “Quarterly” for September 1921.

for the exercise of discrimination. To say that societies should be generally well-managed, is one thing, while to insist that they should be classed as "A" is another. It may be desirable to get claims reduced and compounded and efforts to this end should be made by those who are entrusted with the work of distributing loans. To require that negotiations for conciliation and reduction should be taken in hand by enquiry officers before they frame their recommendations and get the loans sanctioned is a much more difficult affair. Cases are not unknown where recommendations have been turned down and the debtor's position is rendered awkward if offers of repayment are made which are not followed by prompt action, and there is no reason why creditors should show consideration until an actual promise of cash repayment is forthcoming, which promise enquiry officers are not in a position to give. Another element of rigidity is imparted by the classifications, into productive and unproductive, of the purposes for which debts taken up for redemption were incurred. It is assumed that debt redemption is to extend only to repayment of debts for productive purposes. It is further suggested that no debt should be redeemed if incurred for purchase of land on the ground that such purchase is uneconomic. It is not always that land purchase is a bad business. Sometimes it turns an uneconomic into an economic cultivator, and often though not immediately remunerative, it is profitable in the long run. Is there to be no room for enquiry into these questions? A similar point relates to the distinction between economic and uneconomic holders of land. A close and careful economic enquiry is necessary to establish this distinction and it is doubtful if this can be undertaken by the inspecting officer of a central bank. The only essential condition is that the debtor's annual average income should be such that he is in a position to meet his liability and does not maintain himself and his family on borrowings. That the individuals selected for debt redemption should be thrifty and industrious goes without saying, but this is different from insisting that they should have prior to the grant of the loan made voluntary deposits in the society year by year. Most societies in the Presidency have introduced a system of compulsory deduction of five to ten per cent. from loans to serve as fixed deposits, and after the deduction which goes to reduce the amounts available for financing agriculture, it is not usual for members to make voluntary deposits. Further, the financial position of most societies is such that they cannot meet withdrawals of deposits at short notice and agriculturists often shrink from placing deposits with their own societies owing to this uncertainty. Lastly, it has to be remembered that in a good many societies no attempt is made to meet all the legitimate needs of individuals for the financing of their agricultural requirements. There are

limits on loans to individuals, limits for committee members, limits for societies' borrowings, and limits for the borrowings of the union. With all these limits operating it is only a few individuals, at any rate in the older established and richer societies, who are fortunate enough to be able to finance their agricultural operations with the help of loans from societies. Others have to employ their surplus earnings in financing their business. Some have accounts with local money-lenders who return money in time and give short term accommodation, and a few even make investments in land on the mortgage of which they can raise money when required. It is these conditions that will make it extremely difficult to enforce the proposed condition that the person redeemed will give an undertaking not to borrow for ten years from outside or even buy on credit. These conditions can be imposed when societies do not work under restrictions but are true village banks, and when the supply of agricultural and domestic requirements is organized on a co-operative basis. Until then, it remains merely a counsel of perfection. Along with the other restrictions referred to above it may make it impossible for any society to frame a scheme which is not liable to be rejected for failing to satisfy these tests or other tests in regard to amounts required by the society and individuals and the proportion such amounts bear to the owned capital consisting members' deposits and reserve funds. The time has now come when co-operators should decide whether they want a perfect scheme and wait—much to the disillusionment of rural co-operators—or whether it is possible to prescribe a financially sound but less rigid and more active policy to relieve the cultivator from the burden of indebtedness.

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One of the most praiseworthy activities of the Bengal Co-operative Organization Society is to arrange lectures by distinguished public men and officials on topics connected with rural betterment. Recently, Mr. G. S. Dutt, Collector of Bankura, recently delivered at Calcutta a most instructive and fascinating address on “A Bengal District's Choice Between Life and Death” and this address has been published by the Society in the form of a pamphlet. The description of the subject matter borders on the sensational, but then there can be no more appropriate description of a position which, as emphasised again and again by Dr. Bentley, the present Public Health Commissioner of Bengal, results in the depopulation of increasing tracts of rural Bengal, in the decrease of tillage, and in the steady diminution in the agricultural wealth of the country. Mr. Dutt in his address chose the district of Bankura to drive home his plea for rural re-organization, mainly because Bankura has come to be synonymous with chronic

**A Bengal District's Choice**

disease, chronic poverty, and periodic famine. It was selected also on the ground that in Bankura the lesson is being gradually taken to heart and remedial action has been initiated which may be copied by other districts and other provinces if they wish to avert the fate which has overtaken this and other districts in Bengal. Bankura, Mr. Dutt observes, from its natural configuration and physical features, should be the sanitarium of Bengal. The country for the most part is elevated, undulating, and easily drained, and there is no possibility of natural water: logging, no natural marshes, no rivers choked up, and no interference in the surface drainage by railway embankments. Mr. Dutt attributes the spread of disease, the decay of agriculture, and the impoverishment of the peasantry all to two "bedrock" factors, the spirit of fatalism permeating the entire rural community and the total breakdown of the spirit of combination for common good. But till about a hundred years ago the agrarian position was not so bad as it now is, and Mr. Dutt himself testifies to the care and scientific precision with which irrigation tanks and *bandhs* were constructed and maintained and served to retain the surplus water for irrigating the soil and for supplying drinking water to men and cattle. Mr. Dutt does not take the trouble of examining why subsequent generations have gradually proved themselves false to this rich heritage for their health and for agricultural prosperity. The centralized system of administration has destroyed the communal village spirit, it has played havoc with the sense of corporate responsibility for the welfare of the village community. As observed by Dr. Mann in his studies of the rural Deccan, it seems as if it is nobody's business to assist cultivators to maintain a channel or tank in proper conditions, to construct embankments, and to conserve the moisture of surplus water drained off during the monsoon for feeding the soil. And Mr. Dutt's tale is similar in strain, that owing to the growth of litigious habits, the absence of organization, and from notions of false economy, the *bandhs* and the tanks have come to be neglected, and rivers in Bankura while of a torrential nature during the rains are dry for the remainder of the year. When in the dry spells of the harvest season these pools are drained of almost every drop of water in them to meet the demands of the parched up fields, "there is nothing left but liquid mud to quench the thirst of men and cattle."

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Co-operation in a tract devastated like this is easy to preach but difficult to practise. It is hence interesting to observe that

Between Life and  
Death

the idea of applying the co-operative method to the solution of the problem, first proposed by Mr. Dutt himself in the district of Birbhum, has caught the fancy of the people in Bankura.

Agricultural and welfare associations have been formed in villages for the promotion of unity and co-operation, for the improvement of agriculture and cottage industries through joint effort, and for the sanitary improvement of the villages and the education of the village population in the elementary rules of health and hygiene. An organized propaganda was undertaken to induce cultivators throughout the district to form themselves into irrigation societies and for the re-excavation of tanks and *bandhs* and the utilization of natural streams by the erection of masonry dams across them. A bank has been started to finance the irrigation societies, and four honorary organizers and an inspector and three paid supervisors have been appointed to assist in the organization and supervision of irrigation societies. These societies fall under two classes, societies for new construction and societies for re-construction and re-excavation. The former undertake large works of construction such as the erection of dams across rivers and streams, necessitating an outlay of anything from five to fifty thousand rupees, and capable of irrigating 500 to 5,000 bighas of land. The other types of societies deal with minor schemes such as the excavation of irrigation tanks and *bandhs* requiring an expenditure of five hundred to ten thousand rupees. The method of operation is somewhat as under. A society is organized to undertake the excavation of an irrigation tank and the project is estimated to cost about a thousand rupees and to irrigate 200 bighas of land. The society has then to raise a capital of Rs. 1,400 at the rate of Rs. 7 per bigha. A thousand rupees will be required for re-excavation, two hundred for unforeseen expenditure, and two hundred for interest on borrowed capital. Initial capital is raised by getting the members to subscribe a rupee per each bigha of land held, and work is started with the aid of Rs. 200 thus collected. Rs. 800 are obtained as a loan from the central bank started to finance these societies, and this loan is made repayable in five annual instalments at the rate of Re. 1 per bigha per year. When the work of re-excavation is finished, members benefit by getting irrigation facilities for their crops, and in return they are asked to contribute every year at the rate of a few annas per bigha for the work of annual or periodical silt-clearing and repairs. Over a hundred societies for major and minor projects have been brought into being, and the estimate of their expenditure on construction and repairs amounts to three lakhs. For the complete solution of the famine problem in the district, in the course of the next decade or less, this number will have to be multiplied many times over. The total number of irrigation tanks in the district is computed at 30,000, and these have to be restored to their original condition and

the streams running through the district fully utilized for the conservation of water. To carry out this great work, what is needed is organization of the rural population, the development of the community sense, the growth of the spirit of self-reliance, and hence whatever the central Government and its local agents may do or may not do, it is incumbent on the national leaders to inspire local workers with the ambition to solve local problems by rekindling the spirit of corporate action and revivifying the communal feeling so essential to the progress of the nation.

A valued correspondent contributes to this number of the Quarterly an interesting note on the grant of State aid in France and Italy. Very divergent views on this subject have been held by co-operators both in India and in Europe, but hitherto the policy of Government in India has been to disclaim all financial responsibility and to refrain from making any definite promise of monetary support. Howsoever desirable it might have been in the past to have enunciated this policy with a view to discourage the growth of a pseudo-co-operative edifice dependent on State patronage, in most provinces the movement has now passed the stage when this contingency can arise. On the other hand, sound and well-established co-operative institutions have begun to feel that while a capitalistic banking concern carrying on business in the interests of its shareholders enjoys all the privileges of a State bank and secures the use of the revenues of the State free of interest, co-operative societies and banks which eschew profit-making and are run for the people and by the people, get none of the facilities which the State in other countries places at the disposal of co-operative banks and societies. At the last Gujarat Divisional Conference held at Surat under the chairmanship of the Hon. Mr. C. V. Mehta, a committee was appointed to examine this question carefully and to frame proposals regarding the financial facilities required by the movement from Government either directly or indirectly. The report of this committee has been published, and its first recommendation is that in view of the fact that the Imperial Bank of India enjoys the use of the revenues of the State—mainly contributed by agriculturists—free of charge for its own business the Bank should be induced to make larger credits available to the Provincial Bank at a rate not exceeding five per cent. so as to enable the lending rate in rural areas to be reduced wherever necessary and advisable. The deposit of municipal funds in approved central banks has been authorized by Government and a similar provision has been made in the new Local Boards Bill. There should now be no difficulty in

extending this principle, as suggested by the committee, to the funds held by courts of wards and other estates under the administration of Government. The deposit of insurance money in co-operative banks, it is recommended by the committee, should be permitted by the State so as to provide another very useful source of capital, and at the same time some progress, the committee propose, should be made in the issue of fresh guaranteed debentures by the Provincial Bank with a view to make available larger long term capital for the work of debt redemption. In addition to the existing facilities for remittance at par between co-operative societies and their bankers, the committee proposed the additional concession of encashing at par, throughout the year, at branches of the Imperial Bank, all cheques on the Provincial Bank issued by co-operative societies and banks within limits guaranteed by the Provincial Bank. It is to be hoped that action in some, at least, of the directions mentioned by the committee will be taken in the near future.

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The office-bearers of the City Branch of the Bombay Central Co-operative Institute deserve all praise for conceiving the excellent idea of holding a conference of co-operators in the working class locality of Parel. At the City Conference held in February last, the proceedings were conducted mainly in English, and the larger urban problems which came up for discussion could not interest the humble member of a workmen's society. It was necessary therefore to arrange a gathering where the members of the increasing number of societies of workmen which have sprung up in the last few years in connection with mills should be brought together, where proceedings would be conducted in a language workmen could understand, and where in a homelier setting and amidst men of their own profession or associates and co-workers, representatives of workmen's societies could be got to express their minds on the various aspects of co-operation in which they were interested. A conference was also needed for the purpose of promoting co-operative education, both in the direction of impressing on the minds of co-operators the underlying principles of the movement and also in the direction of captivating the imagination of those not within the fold and enlisting fresh recruits to the cause. The Conference had as its Chairman of the Reception Committee a representative workman like Mr. S. K. Bole, and for its President it had Mr. M. R. Jayakar, a distinguished worker in the field of political and social progress. To have brought these two workers in different causes and professing different political creeds on the same platform was another



distinct achievement. The Conference had before it a comprehensive list of subjects for discussion, and resolutions were adopted on these after the various questions had been fully discussed in a representative subjects committee. The resolutions related to matters like the introduction of a system of multiple liability, the adoption of bye-laws of salary-earners' societies for credit societies of factory workers, and the enforcement of the practice of compulsory deduction from loans as deposits where voluntary savings were not obtained. The Conference urged the immediate opening of savings banks attached to all credit societies for workmen, and recommended the formation of a union of workmen's stores for wholesale purchase of supplies. It suggested that well-managed credit societies should be empowered to undertake the function of sale, and approved of the opening of buying clubs as a preliminary to the organization of full-fledged consumers' stores. A resolution was also passed on the need for devising schemes for family relief and insurance on a co-operative basis. An appeal was made to factory-owners to assist in the spread of co-operation and to make workmen their co-partners by issuing shares of a small denomination to them. The Conference rightly emphasised the need for laying down that the policy of the movement should be determined by the Institute and representative conferences and suggested that appointments in the Co-operative Department should in future be held by persons conversant with the needs, the language, the habits of life, and thoughts of the people of the Presidency. Finally, the Conference appealed to individuals and institutions belonging to all parties, interested in the welfare of the country, to assist in the spread of the co-operative movement as it represented a valuable force in national reconstruction.

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The annual publication of the Department of Statistics showing by means of statements and charts the progress of the Co-operative Statistics co-operative movement in India in 1920-21 was received in October 1922, nearly a year and a half after the close of the official year for which figures are given. Another official year has been completed and annual reports have been received from some provinces for the year 1921-22, so that the value of the figures is very much reduced for the student of co-operation who can get provincial reports. The total number of societies at the end of the year 1920-21 was 47,503, the membership 17,52,904, and the working capital Rs. 26,42,63,000. Agricultural societies increased in number from 36,299 to 42,149, their membership from 11,75,109 to 18,55,434. and their working capital from Rs. 9,64,90,025 to Rs. 11,72,29,702.

Of the agricultural societies, 41,192 were for credit, 394 for purchase and sale, 78 for production 188 for production and sale and 297 for other forms of co-operation. Non-agricultural societies increased in number from 2,662 to 3,322, their membership from 33,90,120 to 3,90,513, and their working capital from Rs. 2,90,37,716 to Rs. 3,63,48,913. There were 2,053 societies for credit, 884 for purchase and sale, 3 for production, 284 for production and sale, and 98 for other forms of co-operation. The number of provincial banks remained seven as in the previous year, but their total working capital increased from Rs. 2,42,17,973 to Rs. 2,83,83,984. Central banks increased in number from 393 to 412, and their working capital rose from Rs. 6,43,25,738, to Rs. 8,23,30,315. The number of unions increased from 992 to 1,148, and of the primary societies affiliated to them from 16,880 to 18,928. Cattle insurance societies numbered 433 as against 1,417 in the previous year, but the amount of risks insured fell from Rs. 2,25,086 to Rs. 2,10,033. There were two re-insurance societies, one in Burma and the other in the Punjab; the amount of risk insured by them was Rs. 1,00,232 as against Rs. 1,13,892 in the previous year. The total amount of loans received from Government stood at Rs. 49,50,000, showing an increasing of about 12 lakhs over the previous year's figures. Four lakhs of this increase were contributed by central banks which held State loans aggregating to over 16½ lakhs. Hyderabad was responsible for 75 per cent. of this sum, and the only province in British India showing any large figure was C. P. and Berar, where special conditions justified the grant of State aid. Agricultural societies held 27½ lakhs of Government loans, an increase of about 6 lakhs over the previous year's amount. Burma was responsible for 10½ lakhs, being advances for colonisation purposes, and the C. P. and Berar had a fresh borrowing of 6½ lakhs necessitated by the financial crisis in the Provincial Bank. Non-agricultural societies had borrowings of 5½ lakhs from Government, of which 4½ lakhs were held in Bombay, mainly by housing societies. The average number of societies per 1,00,000 inhabitants was 18 for the British Indian provinces and States, the highest proportion among major provinces being found in Burma and the lowest in the U. P. The number of members of primary societies per 1000 inhabitants showed an all-India average of 6.6, Bombay having a high proportion of 13.7 and the U. P. being again low down in the list with a proportion of 2.4. In regard to the working capital, the average number of annas of capital held per head of population was 16, Burma having again the highest average, among major provinces, of 42, and the U. P. again the lowest of 5.

At the public meeting held in the middle of September to give expression to the grievous loss which the public life of this Presidency has sustained through the death of Sir Memorial to Sir Vithaldas Vithaldas D. Thackersey, it was resolved unanimously that a suitable memorial should be raised to commemorate the services of the late Sir Vithaldas and that this end could best be served by co-operating with the Bombay Central Co-operative Institute in collecting funds for its proposed building, with which the name of Sir Vithaldas should be associated. A representative committee was appointed to collect subscriptions and to arrange all details with regard to the memorial building. No worthier form of memorial to perpetuate the memory of this distinguished co-operator and philanthropist could have been devised. The public life of Bombay shows many examples of the philanthropic activities of its rich citizens, it contains numerous instances of the whole-hearted devotion to public service in the field of local self-government, in legislative assemblies, or in the political world, it is full of records of enthusiasm and energy displayed in the promotion of the industrial and commercial development of the country. But there is hardly any parallel to the example of Sir Vithaldas as practising true philanthropy in the sense of actively helping those who wish to build up economic strength on the basis of self-help. The only purpose of memorials is to bring into relief the noblest strains in the life and character of the departed, and the erection of a building for the Central Co-operative Institute appears to be pre-eminently the most suitable form of memorial to be associated with the name of Sir Vithaldas, for the Institute is a body intended to foster those very aims cherished by Sir Vithaldas. To his friends and admirers, this building will serve as a reminder of the great cause which Sir Vithaldas espoused, to co-operators it will provide a source of inspiration and an expression of gratefulness to a departed worker.

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Mr. Henry Wolff has addressed two very interesting communications to "Capital" on the financial crisis which overtook the provincial and central banks in the Central Provinces and Berar in the year 1920-21. The crisis, Mr. Wolff observes, ought to convey a lesson to the entire co-operative world in India, although in a sense it was brought about by peculiar local circumstances connected with the evolution of the co-operative system in the Central Provinces. It was more or less a logical outcome of the local Registrar's conception of the co-operative organization in his province as an Army with a Commander-in-Chief at its head, a

Mr. Wolff on the  
C. P. Crisis

General staff, an Army Corps, Brigades and the whole paraphernalia of the military system. That, as Mr. Wolff remarks, is co-operation turned topsy-turvy over centralization in place of decentralization. After expressing his approval of some of the main recommendations relating purely to the conduct of sound business, Mr. Wolff takes strong exception to the underlying principle of the report of the Committee of Inquiry—which seems tacitly to have been acquiesced in by the Local Government—that for the efficient conduct of business it is necessary to invest the Registrar with wider powers of interference and control. For instance, he is to be empowered, in certain contingencies, to appoint paid and unpaid workers, to license managers of central banks, to fix rates of interest on borrowings and lendings, and in brief to take over the task of running the banks himself. This is deliberately to blunt and weaken the sense of responsibility which, on the contrary, stands in need of being strengthened. How can the Registrar, Mr. Wolff inquires, who has to deal with hundreds of societies working under different conditions—upon which he cannot be altogether sufficiently informed—improve matters by taking things out of the hands of the proper administrators at his discretion which is after all only his personal impression? And, again, it needs to be remembered, Mr. Wolff emphasises, that Registrars have to change very often and that one occasionally scraps what his predecessor has particularly recommended. What is required is the diffusion of education, the inculcation of business habits, and the evolution of a sense of personal responsibility. These can be developed not by Registrars but by the true leaders of public opinion, those idealists who realize that rural reconstruction is a task second in importance to none other, and who will strive to make co-operation a vital force in national well-being.

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Societies for the purchase and sale of manure have generally been so unsuccessful in this Presidency, that it is interesting to read of a society of this type at Tanjore in Madras which has not only been conducting its normal operations on a satisfactory basis, but has launched forth new schemes for securing improvement in the varieties of manures used. The Society stocks fish, guano, mixed manure, castor cake and ground nut cake, and also arranges for the disintegration of bones to serve as bone-meal—which is a cheaper fertilizer than fish guano or other phosphatic manures. Experiments were conducted during the year in composting bone-meal with Kolanji and other leaves, along with seed to obtain a mixture providing phosphate for the crops. A report from the Chemical

**A Manure Society  
in Tanjore**

Analysed to Government: shows that 50 per cent. of phosphoric acid in the mixture was available for the crops. The compost is cheap, and its manurial value equivalent to that of superphosphate or fish guano, and members of the Society are being induced to collect bones, crush them in the disintegrator maintained by the Society, prepare the compost and use it as a substitute for the more costly varieties of oil-cakes and fish guano. The Society has also devised a system of preserving cattle manure in boxes and demonstrations of this method are being given to impress on the members its advantages. Meston ploughs and harrows were purchased during the last year for being hired to members and the demonstrations were conducted to test their usefulness in the local dry and wet lands. The report mentions that the harrow has been found extremely serviceable in eradicating a very troublesome weed in paddy fields. The society purchases and popularizes systematically Cambodia cotton seed as fodder for cattle, and has found the article providing good food-value. As an act of friendly co-operation the Society purchased locally bags of boiled rice for a store society in the Presidency and charged no commission on the transaction. The value of articles supplied in the year, was nearly seven thousand rupees, and the profit on the transaction was Rs. 550. Although temporary advances seem to have been taken from the local central bank, at the end of the year, the Society showed no outside liabilities. It had a working of about two thousand, a thousand representing share capital and seven hundred the reserve fund. The membership of the Society consists of 79 individuals and 25 societies. The transactions are not considerable, but the lines of working of the society seem to be sound and what is more praiseworthy is the spirit of enterprise that seems to animate the promoters.

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Among the several resolutions adopted at the Third Cochin State Co-operative Conference which was recently held at Trichur was the appointment of a committee with Mr. G. K. Devadhar, who presided at the Conference, as its chairman, to take the necessary steps for starting in the State a propagandist and educational body like the Bombay Central Co-operative Institute. A request was also addressed to the Cochin Government to render necessary financial help on the basis of equal contribution to its funds when the institute came to be formed. A series of useful resolutions was passed on the subject of supervision and assessment of credit, and pending the formation of supervisory unions the central bank was requested to incur expenditure on the supervision of societies. The Conference urged Government to facilitate the re-

covery of dues in societies by extending to the awards of arbitrations the process of summary recovery applicable to orders of the liquidator. To ensure the steady growth of the internal resources of primary societies and to provide long term capital for liquidation of old debts, the Conference recommended the introduction of a system of compulsory deposits obtained by means of a deduction of ten per cent. from loans borrowed. The Conference also suggested the introduction of another feature of co-operation in Bombay, namely, the grant of Tagavi loans through the agency of co-operative societies.

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## CO-OPERATION ABROAD

### Producers' Societies in France

Recent statistics show that on the 1st January 1921 there were 529 producers' societies working in France. Of these, 217 were registered in the district of the Seine, which is practically identical with Paris. The remainder were well distributed throughout the country, the poor and backward districts of Finisterre in the west of Brittany and of the Jura, the mountainous country touching Switzerland, being particularly well represented. Of the total number, 22 were of agricultural producers. The rest were all industrial. 177 were concerned with public works and building and construction, 39 being of house-painters. 44 were concerned with wood-work of all kinds, and 41 with jewellery, porcelain, and glass work, 90 were of paper manufacture and printing. There are three federations of such societies, two situated at Paris with, respectively, 345 and 74 affiliated societies and one at Lyons with 24 societies affiliated. The membership of 463 societies that supplied detailed returns was just under 20,000. In the year 1921, free grants to societies of this class from Government amounted to about Rs. 80,000, while loans from Government to them amounted to about 4 lakhs of rupees, the largest individual loans being two of Rs. 25,000 each. In all, since the beginning of the movement up to the 31st December 1921, Government has given 501 loans to 319 producers' societies, totalling about 25 lakhs, of which over 10 lakhs have been repaid, Rs. 60,000 are overdue, and Rs. 70,000 have been written off as irrecoverable.

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### State Aid in Great Britain

In India the impression is so common that Government gives no financial aid to co-operative societies in Great Britain that the following facts gathered from the International Review of Agricultural Economics

for March-April 1922 will be of general interest. For some years previous to the War, it had been part of the settled policy of the British Government to give encouragement to agricultural co-operation. Several Acts of Parliament passed in 1907-08 and 1911 authorize grants to be made for its encouragement out of State funds. During the War, this policy was strengthened and more and more financial encouragement given by the State for the promotion of agricultural co-operation. But as happens so often in Great Britain, owing to the want of any systematic or scientific administrative machinery, grants have been made by various departments of the Ministry under various heads. It is, therefore, rather difficult to get the exact figures for any year and a process of analysis and addition is required to ascertain the exact figures. The main body to receive grants from Government has been the Agricultural Organization Society, which in England corresponds to the Central Co-operative Institute of Bombay on its agricultural side. This society in 1913-14 received £9,500 from Government, part of the grant being earmarked for the promotion of co-operation among allotment holders. In 1917-18, the grant reached the figure of £18,000, £700 being allotted specially for encouragement to dairies. In 1918-19, the grant rose to £29,000. The next year it was £45,000. In 1921-22, it had fallen to £15,500. Roughly speaking, the grant amounts to five times the income of the Society from subscriptions and affiliation fees in the previous year. The Scottish Agricultural Organization Society is not treated with the same generosity. Until 1919, the grants received by that Society were only about £800 per year. In 1920, they were £2,300 and in 1921 they were £2,400. £150 a year is earmarked for a Gaelic-speaking organizer for work in the West Highlands. Other societies in Scotland, however, received loans from Government and the Scottish Small-holders' Organizations also received grants every year averaging about £700. The Irish Agricultural Organization Society has been treated on a scale more generous than the Scottish and has received grants of £5,000 every year since 1913. It may be noted also that the Government in England has since 1915 given grants for teaching cheese-making to co-operative societies. Grants to cattle and horse-breeding societies have also been given on a generous scale, amounting to as much as £24,000 in 1920-21 in England and Wales alone. That the policy of giving Government grants has had considerable results is shown by the statistics for co-operative small-holdings and allotment societies in England and Wales. In the year 1913, there were 191 such societies with 14,000 members and 13,000 acres. In 1917, the number suddenly jumped up to 373 societies with 56,000 members and 16,000 acres. In 1920, there were 1,113 societies with 118,000 members and over 18,000 acres. The policy of giving large grants to

societies like dairy societies or marketing societies may not perhaps be approved by co-operators in this country, yet there can be no question, even on the principles advocated by Mr. Wolff, of the utility of spending public money in assisting societies like the Organization Society in England or the Co-operative Institute in Bombay to make their propaganda further efficient and their supervision and teaching of societies more penetrating.

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#### A Co-operative Colony

An interesting development of co-operation has recently been successfully started in Switzerland, which may perhaps serve as an encouragement to similar action in the Presidency. On the initiative of the President of the Swiss Union of Consumers' Societies, a co-operative colony was founded on the 20th May 1919 at Freidorf near Bâle. The construction of the colony was completed in the spring of 1921 and the first report of its working has now been issued. The colony consists of 150 houses, each to be occupied by one family. At the present moment, the inhabitants are 147 families of workmen and employes, employed by the Swiss Union of Consumers' Societies. The houses are of three types, containing between four and seven rooms, a kitchen, a bathroom, a granary, an underground cellar, a workshop, and a room for washing clothes. Each house has a cistern containing about 120 gallons of hot water. The water is heated by electricity during the night when the electric current is cheaper than in the day. Every house has a garden. Rents, according to the situation and type of house, vary between Rs. 40 and Rs 80 a month. Further, the inhabitants of the colony provide themselves with all articles on a co-operative basis. In the centre of the village, there is a large building which contains stores of all food-stuffs, shoes, clothing and other requirements. The 147 families contain about 600 persons. The figure of the turnover of the stores during the year was about three lakhs of rupees or an average of about 500 rupees per head or Rs. 2,200 per family. It is interesting to notice that the purchases of this colony from the stores per head are approximately equal to the purchases made in other societies belonging to the Union for the whole family. The profits of the stores in the course of the year were over Rs. 30,000. The bonuses given amounted to about Rs. 180 per family. The colony, however, has a further purpose of a higher ideal. It desires the gradual progress and harmonious development of the lives of all its members. Accordingly, great energy has been devoted to the improvement of the social conditions of the colony. There are seven committees in all, which take charge of the different activities of the



colony. Noticeable is the sanitary committee which supervises the care and treatment of invalids, attends to the clean maintenance of all houses, and also arranges lectures on sanitary questions. Another committee has a brigade of firemen and also looks after the cleaning of the streets and the maintenance of peace and order. Another Committee for entertainments organizes orchestral music and singing as well as festivals on days like the New Year or Christmas. Even more important perhaps is the educational committee which has started a fine library and a reading room and which arranges lectures on subjects of social interest. Let us hope that it will not be long before one of our housing societies in this Presidency takes up a similar broad field of activity.

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#### The Movement in Greece

Co-operation in Greece began in 1912, when a special department was created for the purpose, and in 1914 the first law dealing with co-operative societies was passed. This law has a provision of a particularly interesting character. It is that punishment or fine or imprisonment for a period which may extend to six months is inflicted on "masters, traders, manufacturers, capitalists or any other persons who for personal reasons hinder or dissuade any one from becoming a member of a co-operative society or try to force or induce a member to leave a society or practise unlawful means calculated to bring about dissolution or disorganization of a co-operative society or to prejudice it in any way." Punishment is also inflicted on those who use their influence in a society to obtain unfair remuneration as well as members of committees of management or supervision guilty of corruption. One cannot help wondering what the effect of such a drastic law would be if it were applied in this Presidency.

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#### Supply of Seed in France

The co-operative movement in France has recently taken up seriously the improvement of seed for cultivators. An interesting example has taken place in the district round Melun. Disgusted by the poor quality of the seed supplied by dealers to them, the cultivators decided to form themselves into a co-operative society for the production of selected seeds. After negotiations between the cultivators and the agricultural department of government, a group of 25 farmers owning a cultivated area of 15 thousand acres associated themselves in a society at the end of the year 1920. The members subscribed 590 shares of 400 Francs each, one-quarter of the total capital being paid up. For use in the selection operations, the society has chosen a farm of over a thousand

acres, of which an area of 150 acres can be reserved each year, on the one hand, for the work of selection properly so called, and, on the other hand, for the multiplication of the seed intended for delivery to the members. A technical committee decides each year on the programme of the selection farm and gives all the necessary directions for carrying out the programme. These directions are carried out under the supervision of an agricultural expert whose business it is to examine the growing crop, to take samples, to mark points of special interest, and to carry out all operations necessary for satisfactory selection. The committee of inspection is to visit all places where members reproduce the high class seed. Fields in which less than 80 per cent. of the maximum number of points are given are rejected by the committee. The seed from the fields passed is delivered to buyers with a guarantee. In the fields that have gained the best marks, plants of exceptional quality are picked out for further sowing in the special selected area. All members are prohibited from sowing more than one kind of wheat.

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#### Housing Societies in England

The Report of the Annual Meeting of the Building Societies' Association of England held in June 1922 contains some instructive figures showing the growth of this branch of the co-operative movement in England till the close of the year 1920. In the year 1920, the membership of building societies in England reached the high figure of 7,54,000. Receipts increased to 48½ million pounds, and the sums lent to such societies amounted to 25½ million pounds. The assets of the societies amounted to more than 57½ million pounds. These figures show clearly that the business of these building societies is extremely thriving. It must, however, be noted that there are other features in the work of these building societies which are not so satisfactory to genuine co-operators. In the first place, it may be noted that the name 'building society' is a misnomer. Properly speaking, a co-operative building society should mean a producers' society of builders who combine to build houses and sell them to the public. The societies in question, however, are not associations of builders at all. The societies ought properly speaking to be called housing societies, their object being to provide houses for members. They are not, again, truly speaking, consumers' societies either, but are rather societies of the resource type. What they actually do is to lend money to the members on condition of using the money to build houses on more or less approved patterns, the loan being secured by a mortgage of the house thus built. That they have done a great deal to remove congestion and to put the

ownership of houses within the reach of classes who in England would otherwise have no chance of owning a house at all, must be conceded. But it is regrettable that owing to the method by which the societies conduct their operations the provision of houses does not in any way help the growth of co-operative and communal feeling, but rather tends to foster an excessive individualism which it is part of the purpose of the co-operative movement to overcome. As a matter of fact, the majority of the members belong to that lower middle class or higher artisan class which in England is only too apt to be selfishly individualistic and to neglect the interests of the community as a whole. From the speeches made at the general meeting it is abundantly clear that the members are opposed to any reform or advance in existing economic conditions and that, therefore, they hardly deserve the name of co-operators. The list of affiliated societies shows that the true co-operative housing societies in England, which are doing much good work both for economic and moral improvement—such as the co-operative housing societies at Golders' Green or Ealing and many others—have refused to affiliate themselves to the Building Societies' Association.

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#### A Co-operative Coal Mine

In New York, across the Tug River from Mingo Country, West Virginia, the scene of one of the most bitter industrial struggles between the Union Miners and the operators, is a small group of foreigners who have found their own solution of the problem of capital versus labour in what is perhaps the only co-operative coal mine in the United States. And the same month, May, which ushers in the trial of the Union miners for their armed march on the coal fields on the other side of the river, brings round the first anniversary of the opening of the bridge which, entirely financed by the co-operatives on the other side of the river, gave access last year to hitherto undeveloped resources in timber and coal. The man who brought about this contrast is Martin Himler, a Hungarian immigrant, newspaper editor, and mining proprietor whose history and enterprise have been described by a writer in the current *Survey Graphic*. He came to New York sixteen years ago, fresh from school with exactly nineteen cents. in his pocket. He rose from this position to be a newspaper editor, and after some time announced through his paper the formation of a co-operative mining company with a capital of \$50,000, which was subsequently increased to \$500,000. Across the unbridged Tug River only two miles away, lay the nearest railroad station to the new 3,000

acre property in Martin County where there was plenty of coal, and Himler started the construction of a steel and concrete bridge, which took \$300,000 and twenty-two months to complete. Every penny of the capital represented the investment of the Hungarian Co-operatives. Up to last July, the capital of the concern represented 5,000 shares of \$100 each held by 1,500 stock-holders in very small lots. The net receipts are divided into three parts, one part of which is issued as a (dividend on shares, the other as a bonus) to workers, and the third is added to the reserve. Since then the capital has been further increased to \$2,000,000 and the opening of two new mines has been decided upon.

( Through the courtesy of The Foreign Press Service. )

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## REGISTRAR'S CIRCULARS

### CO-OPERATIVE HOUSING

The following is a resolution issued by the Bombay Government on the subject of loans to co-operative housing societies :—

Government has given careful consideration to the resolution passed by the last Bombay Provincial Co-operative Conference on the subject of facilities to co-operative housing societies on the tenant-ownership model and is desirous to meet their wishes as far as possible. It appears, however, that some misapprehension exists as to the legal rights conveyed to members of housing societies under their constitution, and this misapprehension is embodied in the use of the term 'tenant-ownership.' The position of an owner is in many important respects different from that of a tenant, and it is not in law possible for an occupant to be at one and the same time a tenant of a society and also an owner deriving his ownership from the same society in respect of the same house or tenement. If a member obtains ownership of a house or tenement from a society it will hardly be possible to prevent him from selling or letting his occupancy and deriving individual profit from such transactions. Government cannot devote public money, whether as loan or otherwise, to societies whose members, by obtaining ownership, also obtain the possibility of private profit.

Government is, however, willing to extend the benefit of loans to societies whose members are tenants, whether on what is now technically called the co-partnership tenancy system or on long leases from the society, if the bye-laws clearly and legally provide against any misuse of such concession by profiteering of any kind. The conditions, as suggested by the Co-operative Conference and amplified as required, would be as follows :—

- (1) The ownership of the site and the building to vest in the society.
- (2) The occupancy should be conveyed to the occupant by lease.
- (3) The lease will prohibit transfer or assignments without the consent of the society which will have for its object the prevention of profiteering.
- (4) The society shall have power to determine the lease if any of its conditions are violated.

Government in granting the loan will attach the condition that the society should submit such statements and reports and agree to such inspection as may from time to time be required to ensure that the use of tenements and houses on such principles is effectively controlled and that no transfer, assignments or subletting take place otherwise than in accordance with the bye-laws.

The model bye-laws with the accompanying regulations, agreements and indentures lately drafted by the Registrar secure these conditions in a legal manner. They are applicable either to co-partnership or leasehold tenancy societies. The latter provide for a lease of 998 years and thus secure to members all the advantages of ownership while providing against its abuse. Societies intending to apply for loans are therefore advised to adopt these models with such modifications as may be required in each case.

It should, however, be understood that Government in granting loans will give preference to what are usually called societies on the tenant co-partnership model.

#### TRANSFER OF LANDS (G. R. No. A—501. R. D.)

Government are pleased to direct that Collectors should generally permit alienations of lands held on restricted tenure to Rural Co-operative Credit Societies.

When such land has passed into the possession of a society by default of its debtor-member it should be sold by auction on restricted tenure only, subject to the sanction of the Collector who should see that the land does not pass into the possession of persons who are not ordinarily permitted to hold land on restricted tenure in the district.

#### TAGAVI (CIRCULAR LETTER No. T. A. G.)

With reference to your No. 3817 of 2nd November 1922, I have the honour to return all the papers and to inform you that all the applications for loans for Land Improvement may be forwarded to the District Central Banks to which the societies are affiliated and through whom the loans will be advanced when sanctioned. The District Central Banks should after such enquiry through their Inspectors or directors prepare statements in the form in the schedule attached to Government Notification No. A.—57 (a) of 4-7-1922, in English. Of all cases which the District Central Bank considers deserving, others being summarily rejected after usual enquiry and preparation of the list by the District Central Bank, you may check the statement in a meeting with the Manager of the District Central Bank or directors and issue a "no objection" certificate or initial the case in the list to that effect in all those ordinary cases in which a priori there is no cause for doubt and ask the District Central Banks to recommend the loan to the Bombay Central Co-operative Bank.

Cases in which the amount of loan exceeds Rs. 1,000 or in which any novel method is involved should however ordinarily be enquired into by the staff under you and recommended after considering the objects, and utility of the loan.

## DEATH OF SIR VITHALDAS THACKERSEY. (G. R. No. 5958. R. D.)

Government have heard with great regret of the sudden death of Sir Vithaldas D. Thackersey, Chairman of the Bombay Central Co-operative Bank. With the Honourable Mr. Lalubhai Samaldas, C.I.E., Sir Vithaldas was one of the original promoters of the Bank and with his business ability and deep belief in the possibilities of the co-operative movement he contributed in a pre-eminent degree to its success. By his generous donations for night Schools for the education of co-operators he won the gratitude of the humble members of the movement. It is regretted that he should have died before he could view the erection of the building designed for the Central Co-operative Institute as well as the Provincial Co-operative Bank, a scheme to which he had devoted his enthusiasm and practical ability and which, when completed, will recall to co-operators Sir Vithaldas's active and fervent belief in the movement as securing the rapid and harmonious advance of national credit, industry and prosperity.

## UNIONS (No. 174/A. G. C.—100)

In consultation with the Provincial Bank, the following provisional instructions are issued in regard to Guaranteeing Unions.

(1). No new Guaranteeing Unions should be organized until further instructions are issued. Supervising Unions, however, on the model recently circulated may be tried as an experiment where there is a really spontaneous desire for them. The whole question will come under review at the Provincial Conference in December.

(2). In existing Guaranteeing Unions no change in the bye-laws need be introduced. But, it is only to Unions which are classed as "A" that lump credits will be recommended by the Registrar or be sanctioned by the Provincial Bank.

(3). Credits will be recommended and sanctioned to individual societies forming part of Unions other than Unions classed as "A" if both the society and the Union are moderately well-managed and if the standard of supervision is fair and the societies themselves are financially sound.

(4). No credit, even to individual societies, can be allowed if they form part of Unions which perform their essential function of supervision badly and in which the bulk of the societies are inefficiently managed. Their requirements will have to be met like those of non-Union societies by loans on separate applications sent in from time to time.

The Registrar requests that District Banks will adopt similar rules and restrictions in dealing with co-operative Unions affiliated to them and not to the Provincial Bank. He requests also that the Assistant Registrars will see that these principles are understood by Guaranteeing Unions and by societies forming part of such Unions. The Registrar would be glad to receive applications for registration of supervising Unions as an experiment from such places where he has reason to believe there already exists a spontaneous demand for the same.

## STAMP DUTY

It has been found that in several Co-operative Societies stamps are not being attached to salary bills (or receipts for pay) of the employees of such society drawing more than Rs. 20 a month. Apparently the omission of the anna stamp is due to a somewhat generous interpretation of Section 28 of the Act and of Notification No. 2781—F of the Government of India published under No. 11408 of the Government of Bombay at page 2643 of the Government Gazette of November 6th 1919 (Part I). This interpretation, however, does not appear to be justifiable. The exemption is for instruments relating to the business of the society. But the receipt of salary relates to the business of the employee and not of the society. It is, therefore, requested that in future anna stamps should invariably be attached in such cases.

## RESOLUTIONS OF CENTRAL BANK'S CONFERENCE (No. C. N. F.—47.)

Resolved that all are in favour of extended supervision which is urgently required, and all are of opinion that this supervision must be given by inspection by trained Inspectors employed by the District Banks of the Provincial Bank, as the case may be.

Resolved that the most equitable method of meeting the additional charges entailed by the maintenance of proper Inspectors appears to be that followed in Broach, viz., that at the end of the year the inspection charges shall be divided into two equal proportions A and B. A will be met by the Bank out of its own funds and B will be divided among the affiliated societies in the District in proportion to their profits, such societies as have made no profits contributing a fixed sum of one rupee per annum. In Broach societies in Unions are not being charged, but this exemption does not meet with general approval and will be reconsidered after the Provincial Conference. Although, however, this system appears the most equitable, yet District Banks shall be free to propose for the consideration of the Registrar in consultation with the Provincial Bank any system of surcharging interest for the purpose of providing inspection on conditions that favourable terms of interest shall be given to A and B societies also approved by the Inspector of the Bank, that rebates shall be given for prompt payment, and that the highest rate of interest charged shall not be excessive.

Resolved also that the suggestion is approved that in cases when at the close of the year the District Bank finds that after defraying the cost of inspection to be met from its own funds it is unable to pay a dividend of more than  $6\frac{1}{2}$  per cent. to shareholders, then half of the amount shall be provided by contributions from Government and the Provincial Bank.

Resolved that the Inspectors must be men of a sufficiently educated and businesslike stamp, with training in co-operation and banking, and that they should be recruited on a standard of about one Inspector to 80 societies at the most.

Action according to these resolutions shall be taken by District Banks as early as possible, subject to the approval of a general meeting called for the purpose, which shall frame the necessary bye-laws.

**II. Resolved that a committee be appointed of—****Mr. G. K. Devdhar,****Mr. Vaikunth L. Mehta,****Mr. C. M. Gandhi, M.L.C.,****Rao Bahadur G. K. Chitale, M. L. C.**

to draft a representation to Government on the subject of the continuance of free R. T. R.s. to the Co-operative Movement and of the grant of other concessions such as concessional rate for supply bills, and that the said committee shall also consider the methods to be employed within the co-operative movement for conducting its business in bills of exchange and in generally extending its banking work even if these concessions should be curtailed or withdrawn and to report to the Registrar within a month for communication to all District Banks.

**III. Resolved that further consideration of the raising of limits of liabilities as proposed by the Poona and the Sind Central Banks shall stand over for further discussion at the Provincial Conference, taking into account the arguments advanced at the meeting. Before the Conference, all District Banks are requested to furnish the Institute with their views on the subject which will be circulated along with other notes for the conference.**

**IV. Resolved that loans or overdrafts in current account may be sanctioned by Central Banks on the security of fixed deposits placed in the respective banks; such advances to be made up to limits not exceeding 75 per cent. of the deposits and for periods of three months or less, on expiry of which the banks should be at liberty to recall them.**

**V. Resolved that the further question of District Banks advancing loans on the security of Government paper to individuals be deferred till the Provincial Conference.**

**AGRICULTURAL ORGANIZATION**

In some cases it is found that applications for registration of non-credit agricultural co-operative societies are still sent up direct by the Assistant Registrar to the Registrar without reference to the Divisional Board. This shows a misconception of the new scheme. All such cases must be investigated and recommended by the Divisional Board and sent up by the Divisional Board concerned to the Director of Agriculture and the Registrar sitting jointly. If approved by them, the papers will then be transferred to the Registrar for registration with or without such formal modifications as he may think necessary. In regard to legal or formal modifications he may at that stage consult the Assistant Registrar as such. But in regard to the broad question of the existence and working of the society, it is the Divisional Board that must recommend and the joint Board of the Director and the Registrar that must decide and not the Assistant Registrar or the Registrar as such.

In must also be recommended that the Agricultural Organizer now works under the Board and its Chairman and should, therefore, not send formal proposals direct to the Assistant Registrar.

This circular should please be carefully followed in future.



## HOUSING SOCIETIES

The attention of all Housing Societies is invited to Government Resolution No. 4483 of 12th August 1922 which defines the position of Government in regard to the allotment of loans to Housing Societies. It is hoped that all Housing Societies will take advantage of this clear pronouncement and adopt bye-laws which will enable them to reap the benefits of this generous extension of policy. In practice it will be seen that loans will be obtainable by societies which in fact give their members all the advantages of ownership, though technically the occupancy will be on a 998 years' lease, provided that the occupancy is secured to the occupant or his legitimate representatives. Only in case of shortage of funds will co-partnership tenancy societies—the most truly co-operative in form—have a preference.

The Registrar therefore requests that all existing societies which wish to obtain loans and to which loans have not yet been sanctioned should take the very earliest opportunity to recast their bye-laws, leases and regulations on the lines of the new model with such slight modification as may be required and should submit them for registration as soon as possible.

2. In order to allow of a correct estimate of what amount will be required for loans to Housing Societies this financial and next financial year, the Registrar requests each Housing Society to supply him with the following particulars not later than the 10th September. This urgent reply is requested as Government has to be addressed in regard to the further provision of funds.

1. Name of Society.
2. When registered?
3. Has loan been already sanctioned? If so, quote number and date of sanctioning Government Resolution.
4. If so, what further instalment is required before 31st March 1923 and what instalment in next year?  
(Succeeding questions apply only to societies to whom loan has not yet been sanctioned).
5. Is land already in the society's possession? If not, when will it come into its possession?
6. Have lay-outs and estimates been approved?
7. When is it reasonably expected to start building?  
(Note:—The following questions apply to all societies).
8. How much money do you expect to spend on building in the financial year 1922-1923? and in the financial year 1923-1924.
9. What is your present share and deposit capital?
10. Out of the figures in the reply to question 8, how much do you expect to meet out of your share and deposit capital?
11. How much on the 3 to 1 basis do you expect by way of loan in each year?

# THE BOMBAY CO-OPERATIVE QUARTERLY

MARCH 1923

## CONSUMERS' CO-OPERATION IN HUNGARY

The extent and progress, indeed the very existence of consumers' co-operation in Hungary, depends upon the large wholesale society called the "Hangya." The word "Hangya" is Hungarian for "ant" and was chosen by the Alliance of Hungarian farmers when it first established the wholesale society. In the case of Hungarian credit co-operation, it was already pointed out in a previous article that the movement for all practical purposes may be said to have begun from the top and to be still controlled from the centre. This has been even more true of consumers' co-operation in that country or at least of that overwhelming majority of consumers' societies which are affiliated to the Hangya. The foundation of consumers' co-operation in Hungary and of this wholesale society was due to the same energetic and public-spirited nobleman who created Hungarian credit co-operation in its present form. The chief figure in all this expansion was again Count Alexander Karolyi who combined with his great wealth and rank the desire to serve the public interest of his country and to raise in every way possible the economic, social, and educational level of the poorer classes of his country-men. When Count Alexander established the central credit institution for Hungary there were already a few co-operative credit societies in existence. But when the Hangya was founded on the 23rd January 1898 by the same gentleman and a few friends of his own class, consumers' co-operation had not yet begun. The first step was the union of this gentleman and a few sympathizers in the Hungarian Farmers' Alliance; and the next step was for the Alliance to form the wholesale society called the Hangya. At the beginning, 17,000 Kronen were brought together as the share capital of the new wholesale society and Count Alexander Karolyi by a donation of his own raised the total initial capital to 50,000 Kronen. The first president was Count Alexander Karolyi and the first secretary was Mr. Balogh, who is now the general manager of the society. The wholesale society having been started, it then set out to

carry on a vigorous propaganda and to organize primary societies. The first primary society was founded in April 1898, three months after the organization of the wholesale society. At the end of 21 months, which were treated as the first business year of the wholesale society, there were in existence 70 consumers' societies with a turnover of a little more than 500,000 Kronen. On this turnover, naturally, the wholesale society found that its transactions had ended in a loss. The actual loss came to 12,000 Kronen. But a donation of this amount from Count Alexander Karolyi led the Hangya to conceal the fact of loss and to close the year with a nominal profit balance. From that moment, the progress of the wholesale society and its affiliated consumers' societies was unchecked until the War. In 1900, the number of consumers' societies was more than 100; in 1905 it was more than 500; while in 1911 the thousandth affiliated consumers' society was actually started. Fired by the example, another wholesale society was founded, called "The Central Association of Christian Co-operative Societies." In 1918, the two wholesale organizations amalgamated. In that year, the total number of consumers' societies in Hungary was over 2,000 and on the 31st December 1919 before the Peace Treaty there were 2,334 consumers' societies affiliated to the Hangya.

It is in accordance with this history, as it is in consonance with the general sketch of Hungarian credit co-operation already drawn in a previous number of the Quarterly, that the consumers' movement in Hungary differs in a most important and essential aspect from consumers' co-operation in other lands. Elsewhere, the primary society has been the basis of the movement and the wholesale society, when it has been organized, has belonged to the primary societies in some form or another and to some varying extent is controlled by the primary societies. In Hungary, the reverse is the case. It is the primary societies which, without exaggeration, may be said to belong to the wholesale society, and the wholesale society exercises powers of control and supervision over the primary societies which reduce them to being little more than branches or agencies of the wholesale. The Hangya not only supplies the articles required by the primary societies but it also assists and controls them in their management. It maintains a very large departmental establishment for this purpose and its employees are constantly engaged in touring through the country, organizing new societies, inspecting the existing ones, drawing up their inventories, doing stock-taking for them, and preparing the final accounts. An idea of the enormous inspecting staff maintained by the wholesale society can be gathered from the fact that in the year 1920 the salaries paid to this staff together with their travelling allowances alone amounted to nearly six million Kronen. The secretaries

of the primary societies even are appointed by or with the consent of the wholesale society and work as subordinates for all practical purposes of the wholesale inspecting staff. The primary societies do, of course, elect their own presidents, secretaries, and treasurers who are honorary officials corresponding to members of the managing committee of a society in this country. Of the presidents, it is interesting to note, by far the greatest majority are priests. Next to them come teachers and farmers. Petty village lawyers also supply a considerable percentage of the presidents. Of labourers there is not a single one. Taking presidents and secretaries together, the vast majority are either priests or teachers. Farmers are a comparatively small fraction, about one-sixth or so. The so-called treasurers, however, in other words the persons in whose hands the cash balances are left and who have the risk attaching to the custody of cash balances without any of the powers or responsibilities of management, are in the main farmers or cultivators.

Another interesting feature of the consumers' movement organized and controlled by the Hangya is that to all intents and purposes it is a rural movement. Hungary is, of course, a country preponderantly agricultural. At the same time, it is not only surprising but almost unnatural to find practically all the primary societies working amongst cultivators in rural areas and practically unrepresented in the towns. That this should be the case cannot altogether be separated from the peculiar constitution of the wholesale society. The control exercised by it, the manner in which this control is applied, the motives actuating the present directorate, and the character and the personnel employed by it, whether as paid or as honorary workers, all combine to render consumers' societies of this particular type uncongenial to the labouring classes of the towns.

Before the War, there were, as a matter of fact, a certain number of consumers' societies in Budapest of the type to which one is accustomed in other countries. They were societies inspired by the principles of the Rochdale Pioneers, composed almost entirely of workmen, managed on independent lines, and inspired undoubtedly by socialistic tendencies. After the War, these societies have been broken up and their directors apparently have had in many cases to leave the country and seek refuge in Vienna. Of the actual facts connected with the break-up of these societies I was not able or allowed to learn much. But it would appear as if their dissolution had been caused largely by a reactionary policy on the part of Government, in which the Hangya appears to have played a certain part. It is clear, at any rate, that

the existence of such independent consumers' societies worked and managed by men of the labouring classes and to some extent inspired by socialistic views would be thoroughly uncongenial to the present directorate of the Hangya.

Of the actual business activities of the Hangya, it seems possible on the whole to take a favourable view. The development of the business was steady and important. In 1913, the last year before the War, when Hungarian currency still had its normal value, the share capital had increased to over two million Kronen and the goods sold in the year amounted to over 30 millions. The total turnover was 216 millions. It is not, however, easy to disentangle what the profits of the year were. The expenditure on establishment was, however, always so disproportionately large that the profits cannot have been very great. In 1913, for instance, the expenditure on establishment amounted to about seventeen lakhs. The bonuses given to societies were always small, although the societies in turn give larger bonuses to their members. It is noteworthy, however, that the interest on share is limited to 5 per cent., both in the Hangya and in affiliated societies. The society has undertaken manufacture and production as well as distribution. It has a wine cellar at Budapest; it has a distillery; it owns a soap and chemical factory and a brush factory. In addition, the Hangya has founded separate factories in which it owns the larger portion of the shares. A leading one of those separate societies is the Hungarian Industrial Company, Limited, which has a capital of 25 millions and a reserve capital of 15 millions and whose shares are entirely owned by co-operative societies. The Hangya owns in all nine branches and as many as three ware-houses for goods in transit. On all these sides of its activities the Hangya deserves great praise. Even more worthy of praise are the arrangements made by the society for holding training classes and courses for the instruction of superintendents, managers, and auditors. Education in co-operation has certainly been well-handled by the wholesale society and amongst its activities in this branch is the book-section through which books are circulated among all co-operative associations, which under the supervision of the Hangya, maintain village libraries for their members.

Like the credit movement, so the consumers' movement also has been seriously affected by the disastrous results of the Peace Treaty. Out of 2,240 co-operative societies affiliated to the Hangya before the Treaty, 1289 were removed from Hungarian territory and handed over to various enemy countries. After the Treaty, only 951 of the former societies remained within the boundaries of what was left for the time-

to Hungary. Here, again, as in the credit movement we can only admire the energy with which the situation was met. The Hangya at once took in hand the organization of new societies within the territory that remained. In one year alone, 737 new co-operative societies were thus registered. Thus, on the 31st December 1920, the Hangya again had 1,777 co-operative societies affiliated to itself. This at least is wholly admirable.

What, one fears, must be regarded as much less admirable is the spirit in which the Hangya is now directed. Under the guidance of Count Alexander Karolyi, the wholesale society was started on the most liberal principles. It sought enlightenment and economic freedom. The Karolyi family has indeed for generations been known for the progressiveness and liberality of its views, which came perhaps to an extreme or at least to a level that at the moment may have been inopportune in the activities of Count Mihaly Karolyi, grandson of the founder of the Hangya and the first President of the Hungarian Republic after the War. It is an irony that a society established by a statesman of this temperament should now have come, as it undoubtedly has, under the sway of reaction and should have thrown its weight against those ideals which in other countries animate the consumers' movement. It was difficult for the writer of this paper actually to discover the present position of the Hangya in this respect. He was a guest and when he found himself faced with reluctance to answer his questions and a desire to hide certain issues, he could not force further confidence or apply anything approaching cross-examination. It was clear enough, however, that the Hangya is to a large extent using the power given by its vast organization in the cause of social, economic, and religious reaction. The very fact of the large preponderance of priests in the chairmanship of the local societies is sufficient proof of the spirit which regulates the doings of the society. Priests, to whatever religion they belong, whether, Catholic, as the majority of those in those societies are, or Protestant or Jewish, must inevitably stand on the side of obscurantism. Notoriously and conspicuously is this the case in Hungary at the present moment. The presence of teachers in such societies might in other countries give an impression of greater liberality and progress. But in Hungary the village school-master is in the hands of, and practically the nominee of, the local priest. The fact that the books issued to the village libraries by the wholesale society first are subjected to a rigid censorship is another instance of this spirit. Controlled as the distributory societies are from above by the Hangya itself, controlled as their members are in the village by the chairman and secretary, the priest or the

school-master, it is obvious that the organization as long as it remains in the hands of persons who themselves are in favour of reactionary politics and reactionary religious beliefs cannot but be a drag upon the mental and moral advance of the country. Instead of helping national life to secure healthier conditions, as the consumers' movements are successfully doing in other countries, the movement controlled by the Hangya in Hungary must have a directly opposite effect, unless or until the primary societies are able to secure greater influence and to make the central institute their servant rather than their master and unless or until the personnel in the primary societies and the inspecting establishment of the Hangya is changed for classes more progressive and more liberal. The help of Government funds asked for and obtained by the Hangya from the present conservative Government in Hungary is another proof of the want of independence of the movement and another instance of the evil of financial help by the State to a co-operative movement like this, which above all others requires to be free and independent in order to secure its purpose. While, therefore, it is undoubted that the Hangya, even as worked in the existing spirit, has done and is doing material good to the cultivators by the provision of articles of consumption on a fair basis of price, and while one cannot but admire its organization for instruction and supervision, yet it has to be admitted that its directorate leaves much to be desired and is lacking particularly in the very qualities, mental and moral, which should be the special fruit of the consumers' movement. The hope of the consumers' movement in Hungary would appear to lie rather with the speedy reconstruction of small workmen's consumers' societies, formerly established in Budapest and now for some reason or another dissolved by outside influence, than in any extension of the activities of the Hangya as it at present exists. If workmen's consumers' societies are re-established on sound lines, it may in the future come to pass that they in turn may take over the Hangya and bring it into line with the enlightened spirit of the consumers' movement in other countries.

OTTO ROTHFELD

### CO-OPERATION AND INDEBTEDNESS.

*"For the substance alone is substantial; that is the law of Fact; if you discover not that, Fact who already knows it, will let you also know it by-and-by."*

CARLYLE.

Primary societies have been started and are started to-day, obviously to arrest the growth of rural indebtedness. A co-operator may go further and assert that these societies are intended to wipe off

in due course of time, rural indebtedness *altogether*. The time will come, he thinks with satisfaction, when the society will be the sole creditor of the agriculturist, when there will be *no* Sowkars to squeeze him, and when he will veritably be the 'monarch of his shed.' I need not disturb these gay fancies of the co-operator, his cheery optimism. They are perhaps not fancies; they are facts, or have the potentiality of being such.

But did not the genuine co-operator himself once see a sceptic allege that primary societies had, in numerous instances, done quite the reverse of what they were intended to do, that they had simply augmented or tended to augment rural indebtedness, to which they were designed to put an end? The co-operator was startled and tried to contradict the assertion. He, however, *could not* prove it false. He had *no facts to prove the contrary*. The sceptic, on the other hand, argued with prudence. "Have you realized the ideal of 'prompt and adequate finance'? Your answer must be in the negative. Do many of your societies not lend money only *at certain times* of the year and *within certain limits*?" "The old father of a farmer," he gives an illustration, "who is the member of a certain primary society, dies, say, on the 15th November. The man must perform the funeral ceremonies, must feed his caste-fellows. He cannot break away from the social order, which sways and dominates him. He goes to the society with his application for a loan. The society has already given him a loan. It has now no funds to meet his demand. It will not loan in excess of the limit. The poor man then says to himself, 'the society is all very well; it cannot compare with the Sowkar.'" He then approaches the latter, and entreats him to lend. The Sowkar, however, is reluctant to comply with his request, for he is the member of a society and, *as such, has lost all credit*. His need, as time rolls on, grows urgent; the contract must be made; the terms, though harsh and severe, must be accepted." The sceptic, with a triumphant air, asks, "Is this not all your societies do?"

In fact, there are at present two agencies financing the cultivators simultaneously. The activities of the shrewd village Sowkar are yet being manifested daily and everywhere. He is not ousted, not paralysed. He has rather grown stern, ruthless. He has grown up to be a true 'Shylock'. The fulness of his purse and his readiness to lend afford him still a firm footing. He will be extinct only after the other agency finances the cultivators promptly and adequately.

Till, however, that ideal of prompt and adequate finance is realised it is necessary that all co-operators should know *how many* of the members



of primary societies resort every year to money-lenders and *what amounts* they borrow from them. The committee of every society is indeed expected to know these particulars, but committees never care to know them. Of committees, this is not the place to speak at length. Would it not be well, if the committees of primary societies were required *by law* to keep an up-to-date record of the assets and liabilities of every one of the members of their societies? Such a record is perhaps maintained at present in a crude form in some societies, but it is at any rate a dead thing. No body cares for it. What we want is a *living record*. The member of a society should not be allowed to borrow from any source except with the consent of the committee of that society. If this is *not* practicable, the Sowkar should be required, by the force of some law to be enacted, to notify to the committee within a specified period after the date of transaction, that a certain member of the society has borrowed a certain sum from him for a certain object. When there are two antagonistic agencies, working in one and the same sphere, each must know the extent of the operations of the other. The shrewd Sowkar invariably, at the outset, inquires of the borrower as to what sum he has borrowed from the society. He is not concerned with the society as a whole. He is concerned only with one, two or more borrowers. Co-operators, on the other hand, are not concerned with this, that or the other Sowkar, but with the old agency as a whole. Their object is to undermine that pernicious and baneful institution. They must, therefore, know the extent of its operations, at least so far as it concerns them, that is, with regard to the members of co-operative societies.

If primary societies were founded so as to wipe off rural indebtedness we must see whether they have done it and do it now. We have figures for loans advanced to members. We have figures for deposits received from members as well as non-members. Why should we also not have figures for loans advanced to members *by Sowkars*? We must have a practical criterion of the success of the movement. Every society should be required to ascertain, with all the assistance legislation can give, the financial position of every one of its members, *first* when he is admitted. There must be a book for this, and it should be *the most important book*. The subsequent dealings of the member, both with the Sowkar and the society, should be recorded in that book. Then alone can we know, with tolerable accuracy and precision, whether our primary societies wipe off rural indebtedness or tend to aggravate it. No sincere man would deliberately evade facts; nay, he would rather strike at the very heart of the matter, and see what it is. He will have no delusions. All sincere co-operators, all true lovers of co-operation should, therefore, insist on *some* practical test being applied

soon, should their activities be not misconstrued. We should convince sceptics of the good our movement has done to agriculturists, and sceptics can be convinced only by facts.

It would perhaps be urged that people are averse to giving out such information, that they will cease to join societies the moment they are called upon to divulge these secrets, and that the whole co-operative fabric, erected with infinite labour, will crumble down if this were enforced. These fears are more imaginary than real. There was a time when people were ashamed to join societies. There was also a time when people were ashamed to borrow from societies and give sureties. These so-called stamps of degradation no longer attend the membership of a primary society. They were transient mist, veiling for a while the eternal fact. If co-operation is good, if co-operation is *true* and *beautiful*, co-operation will make its way despite all obstructions, all impediments. Nature will push it on, if it has Nature's harmony. Nothing can retard its progress, nothing hold it back, if it is genuine.

RATILAL TRIVEDI

## INTERNATIONAL CO-OPERATIVE TRADE\*

### I. INTRODUCTION

Since the war the question of international trade has forced itself upon the attention of co-operators wherever in Europe a movement has developed. There has been considerable discussion as to how trade on co-operative principles between the various national movements can be encouraged and developed, whether international co-operative organizations should be created for the purpose, and, if so, what their form and nature should be. The subject is a very large and difficult one, and possible lines of development are many, so that it is not unnatural that in these discussions there is often confusion with regard both to the object immediately to be aimed at and the various methods by which it might possibly be attained. The object of this paper is to clear away, if possible, this confusion, to distinguish clearly between the different forms of co-operative trade which the movement might aim at developing and between the various means which might be suitable for encouraging the different forms of international trade. It is only in this way, I think, that we can gain any clear idea of immediate steps which may be practicable.

A preliminary word or two must be said as to the importance of this subject. We have all learnt in the last two years that international

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\* Reprint of a Brochure by kind permission of the author, Mr. Leonard Woolf.

trade generally has a direct effect upon the well-being of practically every man, woman, and child in the country. Economic collapse, stagnation of trade, the fall in the standard of living, unemployment, these are the subjects of which the newspapers are full and which are causing the winning or losing of elections. These evils, which mean misery or discomfort for hundreds of thousands of individuals, are primarily due to the war and to the peace ; but their immediate cause is the collapse or dwindling of international trade. At the end of the war the ordinary machinery of capitalist trade between nations, which depends upon credit, was no longer in existence and it has obstinately refused to reconstruct itself. The result to an industrial exporting country like Britain is that, though there are millions of foreigners who are in urgent need of our goods and who before the war purchased our goods, the normal course of exchange and trade will not re-establish itself, our foreign markets remain closed and our own workers unemployed. The economic reconstruction of Europe through the encouragement of international trade has become one of the chief problems of European statesmen, economists, financiers, and industrialists. But it is also of immense importance to the workers and co-operators. Co-operators, in particular, cannot give too much attention to the subject. If a great extension of international co-operative trade is ever possible, co-operators will never find a moment more favourable to them than to-day, because the failure of the capitalist system to right itself leaves the field open to them in many markets. And success if it came would never bring greater rewards than at the present moment.

But the question of international trade on co-operative principles has, also, a general and permanent bearing upon the future of co-operation itself. Before the war, consumers' co-operation in some countries and agricultural co-operation in others had reached a very high level of development, and in some there has again been since the war rapid co-operative expansion. But even in the most prosperous and progressive movements attention has been concentrated almost exclusively upon national organization, and little or no thought has been given to the possibility of developing international trade on co-operative principles either between the several consumers' movements or between, say, the consumers' movement of one country and the agricultural movement of another. And yet even before 1914 it had already become clear in some national movements that the limits of co-operative progress were already in sight, unless the co-operative system could be extended on a large scale to foreign trade. This was particularly the case in Great Britain, where co-operation has a longer history than elsewhere. As soon as the retail societies federated in the Wholesale Societies and these began wholesale

trading and manufacture upon a large scale, the British movement was faced with the problem of international co-operative trade. The C. W. S. has continually to import commodities demanded by the retail societies or required as raw materials in its own mills and factories, and, if it remain content to purchase these from capitalist producers abroad and through the ordinary capitalist channels, it inevitably sets very narrow limits to the expansion of co-operative trade and it also leaves the movement, so far as all imported commodities are concerned, dependent upon capitalists who are hostile to the movement and the co-operative system. We find, therefore, in one department of trade and industry after another that the Wholesale Societies have been compelled to attempt the application of co-operative principles to international trade, either by exchanging goods with the Wholesale Societies of other countries, or by establishing depôts abroad, or by themselves owning and working tea estates in India and Ceylon, or wheat fields in Canada.

In Great Britain, in Germany, and in several other countries consumers' co-operation has already reached this state at which its ordinary business of supplying its members' demands and its normal development are hampered unless the co-operative system and co-operative control can be extended to the international exchange of manufactured or partly manufactured goods and to the import and export of food stuffs and the raw materials of industry. This fact is of immediate and practical importance, but it also has a wider significance. There are many co-operators who see in co-operation an alternative to the capitalist system. But it is obvious that co-operation can only take the place of capitalism in a very limited field, if it cannot adapt itself to international trade. Industry, commerce, and finance tend to become ever more and more international, and the basis of the capitalist's strength is more often than not to be found in his control of foreign markets, the foreign supplies of raw materials, and the channels of foreign trade. The co-operator will never oust capitalism and its evils, unless it can oust the capitalist from international trade.

In the following pages I shall naturally be concerned mainly with the consumers' co-operative movement and the C. W. S., but in discussing international co-operative trade it is quite impossible to isolate the consumers' movements and to dismiss agricultural movements and co-operative credit. English co-operators scarcely realize the enormous growth of agricultural co-operation and its rapid development, not only in Europe, but in the East and in the Dominions. Co-operative selling by agricultural producers is becoming an important factor in international trade, and this cannot be ignored in considering the future of international co-operative trade.

## II. PREVIOUS HISTORY OF INTERNATIONAL TRADE

Before dealing with possible lines of development, it will be useful to examine briefly the way in which the co-operative movements have hitherto attempted to meet the problems of foreign trade. All international trade resolves itself into a question of either imports or exports, a question of either purchasing to meet the home demand or selling in order to supply a foreign demand. It is characteristic of the co-operative movement in general and of international co-operative trade in particular that each step in advance has been taken to meet an individual, isolated problem and that there has been no attempt to work out and apply any general organized plan of progress. Accordingly, before the war international co-operative trade was regarded even in the most advanced movements, almost exclusively from the importing side. The members of British co-operative societies demand tea which has to be imported from India or Ceylon, butter and eggs which came from Denmark, bacon and cheese from Canada and the United States, or fruits which came from Spain and Greece. The question of supplying each of these demands as it arose was treated separately by the C. W. S., there was no attempt to encourage or organize international trade, and each demand for a foreign product was supplied in the way which at the moment appeared to be most useful and economical. On the exporting side, there was no impulse from within the consumers' movement to find a market for co-operative productions, which were manufactured only for the requirements of the retail members, and a co-operative trade had, therefore, scarcely developed at all, except in rare instances in which the demand of one national movement for commodities which were produced by another led to a small exchange of co-operative productions.

While international co-operative trade had developed in this way "naturally" and according to no system or plan, the great progress of co-operation in Britain, Germany, Scandinavia, France, Belgium, and Switzerland had caused it to assume considerable proportions before the war, and it is possible to distinguish the main different lines upon which it was developing. The various methods actually adopted may be classified as follows :—

(1) The English C. W. S. very early in its history saw the necessity of making itself as independent as possible of the capitalistic middle-men who form the ordinary machinery of the import trade. Its earliest method of meeting this problem was to establish its own depôt in a country from which it required some product in considerable quantities, to buy direct from the producers, to pay in cash, and to ship direct to its own warehouse in England. Over fifty years ago it opened its first depôt

of this kind in Ireland, and since that time similar depôts have been opened in the United States, France, Denmark, Canada, Sweden, Spain, Australia, Germany, and the West Coast of Africa.

(2) The depôt system is an attempt to apply co-operative principles to purchase in the international market, for it eliminates some of the capitalistic, profit-making, intermediary machinery of foreign trade. A further step is taken when two or more national movements combine for the joint purchase of some foreign product which they each require. Joint buying of tea, coffee, and cocoa was organized by the English and Scottish Wholesale Societies, and the three Scandinavian movements have also combined for joint buying in the international market.

(3) The two previous methods are concerned solely with the purchase of commodities for import. But the co-operative movements of this and several other countries have developed an industrial as well as a commercial side. As soon as the English C. W. S. engaged in industrial undertakings on a large scale, they were brought up against the problem of ensuring the supplies of raw material which they had to import. The actual production of these supplies in foreign countries was often in the hands of large capitalists or companies. In two cases the British Wholesale have endeavoured to make themselves independent of the foreign capitalist producer by themselves undertaking production in foreign countries. Thus the English and Scottish Wholesales jointly acquired their own tea estates in India and Ceylon, and the English Wholesale has acquired land in Canada where it grows its own wheat to be shipped to Scotland and ground into flour in its own mills.

(4) The manufacture of commodities by consumers' movements led to what is probably the most advanced form of international co-operative trade, namely, the exchange of such co-operative productions between two or more national movements. Co-operative import and export of this kind existed, but only on a small scale, before the war. The English and Scottish Wholesale Societies supplied the Danish, German, French, Italian, Dutch and Belgian Societies with tea, biscuits, soap, dress materials, &c., while the Swiss Wholesale Society supplied the English, Scottish, German, and French, with cheese, &c., and the Danish societies supplied the English, German, Belgian, and Swiss with other commodities.<sup>1</sup> After the war the urgent need for a large variety of articles in central and eastern Europe, and the inability of the capitalist machinery of foreign trade to re-establish itself, led to a remarkable increase in this form of international co-operative exchange. Thus the

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<sup>1</sup> See "The Consumers' Co-operative Movement," by Sidney and Beatrice Webb, Page 186.

English C. W. S. supplied goods on credit, amounting to nearly £1,000,000, to the Russian, Rumanian, Belgian, and Polish co-operative movements. The English Wholesale Society has also engaged in a slightly different form of the same kind of trade: it has on more than one occasion since the war received consignments of goods, *e. g.*, hides, skins, &c., from foreign movements as agents, and arranged for their sale through the general trade channels, as they were not suitable for their own productive requirements. The possibilities in this kind of international trade, in which one national movement markets the products of another, are even greater as between a consumers' movement and an agricultural movement than between two consumers' movements. But in practice the question becomes more complicated where the consumers' movement can take part of the agricultural product for its own consumption and the remainder has to be sold in the ordinary market. Such a case has actually occurred between the C. W. S. and a Dominion agricultural movement, and it has been found more convenient that the two movements should establish a joint selling company, the C. W. S. having the first call on supplies.

(5) The four forms of methods of international co-operative trade, hitherto mentioned, have been carried on through the ordinary machinery of the various national movements, and without the creation of any special international organization. Indeed, until quite recently, there was in existence no special machinery for promoting or for carrying on international co-operative trade. The International Co-operative Alliance has, of course, had long existence and has done invaluable work for the study and promotion of international co-operation. But its field in the international world is the same as that of the Co-operative Union in the national, *i. e.*, its activities are those rather of propaganda than of trade<sup>1</sup>. The idea has often been put forward that international co-operative trade will never develop on a large scale, until special machinery exists for the purposes of such trade, and people who hold this view in its most advanced form have always looked forward to the ultimate establishment of an International Co-operative Wholesale Society which would perform for national movements what national Wholesale Societies have accomplished for the retail societies. The impetus which after-war conditions gave to international co-operation generally led to detailed discussions of this question of an international organization both in the International Co-operative Alliance and at special conferences between the various Wholesale Societies. A first step was taken in 1919 by the formation

1 I ought perhaps to say that this is true from the point of view of a British co-operator, but not strictly so from that of the French and some other Continental co-operators.

of a "Committee of National Wholesale Societies." The object of the Committee was to study the question of the necessary preliminaries to the realization of an International Wholesale Society. It had several meetings and appointed a sub-committee to frame regulations. The sub-committee submitted its proposals to a full meeting of the Committee in April, 1920, and they were adopted; they are given in full in an appendix to this tract. The most important points in these proposals were as follows: (1) The concentration of co-operative effort in each country in a single body with which Wholesale Societies in other countries might deal; (2) the formation of an export department in each Wholesale Society; (3) arrangement by the Committee for joint buying where that is advantageous; (4) the creation of a Central Bureau under the C. W. S. in Manchester for the collection of statistics and the circulation of information. The adoption of these proposals was followed by the setting up of the Central Bureau in Manchester.

### III. ALTERNATIVE LINES OF DEVELOPMENT

When one examines the brief sketch, given above, of the previous history of co-operative trade outside the national market, it immediately becomes clear that there are two main points which must be kept absolutely distinct by any one who is considering the problem of future development. First, it is to be observed that the numerous international transactions undertaken by the co-operative movements have various and quite distinct objects. Thus you may have joint or common action by two or more consumers' movements for the object of joint buying in the international market; or you may have common action for the production of some commodity required by two or more movements or for the exchange of products produced by individual national movements; or you may have arrangements the object of which would be to facilitate the export of the products of agricultural co-operation in one country to the consumers' movements in others. It is obvious that action which might facilitate the development of one form of transaction might not be suitable for developing another. In the second place, it is most important to consider with regard to each kind of transaction how far it is possible to promote their development with the existing machinery of national movements, and at what point it would be necessary to create new international machinery, if further progress is to take place. This second point is one of great practical importance. The present moment is, as we have seen, peculiarly favourable for the development of co-operative international trade. But it is characteristic of moments, and particularly of favourable ones, that they pass. It always takes time to obtain agreement to the creation of any kind of international organization, and



still more time to get it actually created and working. I propose therefore now to consider, first, how far it is possible to develop each kind of international transaction without any new machinery or organization, and then to consider the possibilities of development involving the creation of new international co-operative machinery. This way of treating the subject may involve a certain amount of repetition, but it has the advantage of showing clearly what immediate steps could be taken for the promotion of international co-operative trade.

(a) POSSIBILITIES WITHOUT NEW ORGANIZATIONS

I. INTER-C. W. S. TRADING

The simplest form of international co-operative trade is undoubtedly that in which one national C. W. S. exports goods to another national C. W. S. It existed, as we have seen, before the war, but its development was extremely small, when one considers the figures of membership and trade of the larger national movements. It is certainly capable of very great development, but it is necessary to consider carefully the conditions which must be fulfilled if large and rapid progress is to be made along these lines.

The first necessity for this kind of international co-operative trade on a large scale is that there shall exist in all the chief countries strong and active wholesale societies. The ultimate object is that such commodities as the co-operators of any particular country require to import from abroad should be obtained either from or through the co-operators of the exporting country, for in this way the field of co-operative trade and industry might be enormously increased. But this cannot take place, unless the wholesale trade of each national movement is really conducted by a central organization or wholesale society. There are, it is true, at the present time about twenty national Wholesale Societies in Europe, but many of these can scarcely be said to be strong enough to fulfil the conditions mentioned above. In 1919 the trade of the English and Scottish Wholesale Societies provided over 50 per cent. of the total trade of all the Wholesale Societies (excluding the Russian Centro-Soyuz for which the figures are not available), and 75 per cent. of the total trade of all the societies was due to four societies. It is obvious that much remains to be done by the international movement to promote the formation of national wholesale societies throughout Europe and to strengthen the position of the existing societies.

As regards the actual transactions between two or more national wholesale societies, here at once we must distinguish between two important kinds. The national wholesale society of one country may use that of another merely as its agent for obtaining the goods which

it wishes to import. On the other hand, the importing wholesale society may, in certain cases, obtain what it requires from some other wholesale society which actually produces the article in its own factories. Here again considerable and immediate development is obviously practicable. There is no reason why, with a little organisation, practically all purchases by national wholesale societies in foreign markets in Europe should not be made through the wholesale society of the country in which the purchase is made. This should open the way to a great extension of the system of joint co-operative buying which would increase the co-operators' power in the world's markets and make them less dependent upon the capitalist machinery of foreign trade.

The exchange between national movements of goods actually produced in co-operative factories is a different question. There is no doubt that many wholesale societies at the present moment import goods from abroad which some other wholesale society manufactures, and yet the purchase is not made from the co-operative, but from a capitalist manufacturer. This branch of international co-operative trade could be greatly increased at once but there are clearly defined limits to its immediate development. Only a few national movements have developed the productive side of their wholesale societies, and until such production is considerably and widely increased, the exchange of co-operative productions must remain comparatively small. It should be noted that any large development of this kind of inter-C. W. S. trade will raise a problem which the Swedish co-operators pointed out with great clearness. Suppose the Swedish co-operators import boots and decide to get them, as they well might, from the English C. W. S. which manufactures them already on a large scale. If the Swedish co-operators purchase in large quantities, the English C. W. S. will have to extend its factories, increase its staff, and hold larger stocks to meet the new demand. But there is nothing to prevent the Swedish C. W. S. a year later establishing its own boot factories, in which case the English C. W. S. will lose heavily. It is for this reason that some co-operators, and among them the Swedish, consider that this kind of exchange of commodities cannot safely be conducted on a large scale between national wholesale societies, and that its development requires the formation by the various wholesale societies of a "common industrial enterprise", an international wholesale society, "in the management of which they could all take part and of which they all bore the economic responsibility." There is certainly something in this argument, but its immediate importance should not be exaggerated. To start manufacturing for foreign movements on a vast scale would be

much too risky for any national wholesale society, but huge transactions would not immediately be in question ; an important development of inter-C. W. S. trade in co-operative manufactures could be organised without any C. W. S. being asked to sink large sums of capital in extending factories, &c. Moreover, where capital expenditure was necessitated, the difficulty could be got over by the importing C. W. S. contracting to make its purchases from the manufacturing C. W. S. for a term of years.

On the other hand, the Swedish proposal cannot be dismissed. There are certain commodities, *e. g.*, motor lorries and delivery vans, in which the demand of one national movement might not be sufficient to make the starting of manufacture possible, whereas manufacture to meet the combined demand of several co-operative movements would be feasible. In such cases, it is obvious, joint production is desirable and practical. And it should be observed that for such joint production a single international wholesale society is not essential. Two or more national wholesale societies might combine specifically for the manufacture of certain definite commodities.

These considerations show that the difficulty raised by the Swedish co-operators is a real one ; there are definite limits to the possibility of developing the exchange of co-operative manufactured goods between national wholesale societies with the existing machinery, and this is an argument in favour of an international wholesale society or at any rate joint international productive enterprises.

Another serious difficulty which stands in the way of a large increase in the international exchange of commodities manufactured by consumers' movements is the question of capital. The English C. W. S. does not find it easy to obtain the capital which it requires for the development of internal co-operative trade ; it certainly could not undertake any great extension of its productive operations in order to supply foreign co-operators, unless new sources were opened to it from which it could obtain capital. This is a very serious difficulty which would, however, also probably apply to an international wholesale society, for there is no reason to suppose that an international organization would find it any easier to find capital than a national organization. It may be suggested that the ultimate solution of this problem lies in some form of international co-operative bank which would mobilize the capital of the various forms of co-operation existing in various countries. This is a possibility which will have to be dealt with below, but we may note here that this is another point at which progress without the creation of new international machinery is necessarily limited.

There is another kind of transaction between national co-operative movements which needs separate consideration. As was noted above, there have been already cases in which the English C. W. S. has acted as the agent of a foreign movement for the sale of its products. At the present stage of co-operative production in consumers' movements it is unlikely that this form of transaction, as between the consumers' societies alone, will in the immediate future attain any large proportions. The consumers' wholesale society manufactures for an ascertained demand among co-operators, and is not likely, therefore, to have a surplus for exports. Nevertheless, if exchange of commodities produced in the factories of wholesale societies ever attained large dimensions, cases would probably often occur in which one national movement could not itself absorb the products of another at a particular moment, but could dispose of them in the open market. It is, therefore, desirable to extend the system by which contracts can be made between two national wholesale societies, A. and B., under which A. agrees to export a certain product to B. and B. purchases such quantities as it can dispose of to its own members and sells the remainder as agent of A. in the open market. Two points here deserve notice. First, such transactions are more suitable for arrangements between consumers' organizations and other forms of co-operative organization, *e.g.*, agricultural, than between two consumers' organizations, and will therefore be dealt with further below. Secondly, experience has already shown that where such agreements are possible between two movements, it is often more convenient that they should be conducted by a subsidiary co-operative society or company, formed by the two principals to the transaction, than that they should be carried through by what we may call the importing co-operative society.

In the preceding paragraphs I have outlined the three main types of international transactions which appear to be capable of immediate development. Each of them will require different treatment, but there is one most important consideration which applies to them all. There can be no real development in any kind of inter-C. W. S. trading, unless the various national movements are in close contact with one another and have detailed knowledge of the commodities which each movement can supply and each movement consume or dispose of. Such contact and knowledge certainly does not exist at the present moment, and it never will exist unless there is a central international organization whose business it is to obtain the necessary information, supply it to the various movements, and deliberately foster international exchange by bringing the potential consumer into direct contact with the potential producer or supplier. The creation of the Central Bureau by the Committee of National Wholesale Societies is a first step in this direction, and the

development of this bureau into an active international organization, fully representative of the various movements, is absolutely essential for any large extension in international co-operative trade.

## II.—DIRECT ACTION BY CO-OPERATIVE ORGANIZATIONS ABROAD

In the sketch of the previous history of international co-operative trade it was shown that one way in which the C. W. S. has attempted to solve the problem is by direct action abroad. When the C. W. S. invests capital in, and itself works, a tea estate in Ceylon or wheat land in Canada, and then ships the produce to its ware-houses or factories or mills in England, it is by direct action in Ceylon and Canada extending the co-operative system to production there. The export of the tea from Ceylon and its import into England are part of international trade and, as conducted by the C. W. S., this is international co-operative trade. But this method of conducting international co-operative trade has features which are peculiar to it and deserve attention. It is a kind of penetration by co-operative organizations similar to the foreign penetration of capital which has been so marked a feature of the capitalist system during the last fifty years. The C. W. S. invests capital abroad, carries on production by hiring foreign labour, and exploits the wealth and fertility of this or that foreign country for the benefit of the home consumer. I am not arguing that the method is in principle wrong, but it is clearly fundamentally different from any system of exchange between two national co-operative organizations.

The question of this system of co-operative penetration and production abroad by consumers' organizations is only limited by the consumers' demand for foreign products, by the amount of capital which they have available for investment abroad, and by their ability to conduct production efficiently in distant countries. As consumers' movements develop in Europe, there is a natural impulse towards this co-operative penetration, particularly of tropical and sub-tropical countries. It is the same impulse which makes the capitalist extend his manufacturing operations to the control of the production of the raw material which he uses in his factories; the capitalist trust which begins by manufacturing steel rails ends by controlling all operations from the mining of the iron ore to the selling of the finished article. Co-operators are forced to compete with the capitalist system, and so we find the co-operator who began by baking bread being forced by competition to end by controlling all operations from the growing of the wheat in Canada to the baking of the flour in his local bakeries.

Theoretically, there is nothing contrary to co-operative principles in this extension of the consumers' control to productive enterprises abroad.

The co-operative principle requires that industry should be organized and controlled by the consumers on a non-profit-making basis. The principle is not altered by the fact that the consumer lives nine thousand miles from the place where the commodity is produced. From a practical point of view, however, it is doubtful whether an unlimited extension of this foreign penetration by consumers' organizations is desirable or possible. The organization of production in countries at a great distance and where the workers and their conditions of employment are different from those of the consuming country is attended by peculiar difficulties and is open to abuse. It is peculiarly difficult, for instance, to guard against exploitation of the producer. Further, most of the commodities required by the European consumer from abroad are agricultural, and the consumers' movements have not yet proved their capacity to control agriculture as they have to control industry proper. It may well be that the greater part of agricultural production is best organized, at present, under the system of agricultural co-operation.

Finally, with regard to this question I suggest tentatively the following conclusions. The ideal to be aimed at is that in each country in the world production should be controlled by a national co-operative organization, that these co-operative units should be closely linked together, and should exchange their commodities on a non-profit-making co-operative basis. It follows that, where a strong, capable co-operative movement exists, penetration by another movement for the purpose of organizing production is undesirable; the home movement should supply the foreign consumer on the ordinary co-operative system of dividend on purchase. But where co-operation is undeveloped, it is right and desirable that a foreign movement should organize production in order to supply the demands of the foreign consumer.

*( To be continued )*

## PROGRESS OF CO-OPERATION IN INDIA

### BIHAR AND ORISSA

The province of Bihar and Orissa possesses one of the most experienced Registrars in this country, and under his guidance the co-operative movement continues to make steady headway. Not only this, but the annual reports from the province leave a strong impression that the movement is being developed on lines suited to the local requirements, and that the main task of the Registrar and his Department is to study the needs of the rural classes and to meet them, and

not to impose their own ideas of progress and growth. The result is that development is spontaneous and yet systematic and the record is one of ordered growth from year to year. The year 1921-21 witnessed an increase of 681 in the total number of societies, the rate of increase being even for the last ten years or so.

Agricultural societies increased in number from 3,217 to 3,861, their membership from 95,112 to 1,12,421, and their working capital from Rs. 48,32,591 to Rs. 64,64,598. 59 of these were grain banks with a limited liability. They had a working capital Rs. 1,19,582, over half of which was "owned" and on which they made a profit of eighty thousand during the year. The report mentions that the total number of grain *golas* is 72, so that in addition to the grain banks referred to there might be other *golas* with unlimited liability. The system of working is simple. Members have to contribute 10 seers of paddy per each acre of winter paddy cultivated by them, for a period of 5 years. For one tract, nearly half the population is associated with the system of grain banks, and contributions towards the common grain reserve are received on three-quarters of the cultivable area. Mud-houses with fire-proof roofing have been built by the members, materials and in some cases land having been provided by Government. The main advantage of this type of co-operative society is in years of scarcity or famine, but even in ordinary years the *gola* assists in saving needy agriculturists the heavy interest charges and differences in prices payable to Mahajans on advances in kind. Agricultural credit societies numbered 3,770. They had a membership of nearly a lakh and a total working capital of a little over sixty lakhs. The system of shares was only recently introduced in the province and a lakh and a half of the capital was contributed by shares. The aggregate reserve funds amounted to eight lakhs. Nearly half a crore was borrowed as loans from central banks and only two lakhs were raised as public deposits. This is a very low figure, but even more striking is the fact that over a lakh and a quarter out of this amount were held by a group of societies managed by a Roman Catholic Mission. The report does not indicate any special reasons for this paucity of local capital, which may be due to the system of land tenure under which the rural population consists in the bulk of the tenantry of big Zemindars, and hence one rarely finds in villages persons of means who would have surplus capital to invest in societies. Another factor may be the dominating position occupied by the central banks which, operating in small areas, attract all the surplus funds in villages. These causes may also explain another feature of the co-operative credit system in almost all the Upper India provinces, with the exception of the Punjab, namely, the absence of any substantial,

deposits by members. In Bihar and Orissa, these deposits amounted to a lakh and eighty five thousand at the end of the year, and instead of an increase there was a reduction of ten thousand during the year under report. In this respect, too, the societies under the Mission showed fairly satisfactory figures. Overdues amounted to nearly a third of the total outstandings, and that such heavy overdues should continue to be shown after a year which was a normal one is one of the most unpleasant features of the report under review. Mr. Mohiuddin Ahmed states that the recoveries of central banks amounted to 63 per cent. of the demand. He appears to be satisfied with these figures in view of the after effects of the previous year's scarcity in Bihar and floods in Orissa, and the sudden drops in the prices of certain varieties of agricultural produce.

Among agricultural societies for purposes other than credit there are 32 sale societies, some of which assume also the function of supplying to members the necessaries of life. Inexperienced as the committees of societies are in the fluctuations of the market, not many of the societies have been wholly successful, but two which have done well show that they have secured for their members a gain of 15 to 20 per cent. in their realizations for produce sold. The work of stimulating agricultural improvement is carried on in this province mainly through the central banks. Long term loans are given at low rates for construction of *bunds* and wells, the cultivation of new crops is popularized, and improvements are introduced in the methods of cultivating crops like sugar-cane. The supply of approved varieties of manures and machinery for sugar-cane crushing and boiling is undertaken by some banks. Assistance is also rendered in improving the breed of cattle. Similarly, as in other neighbouring provinces, the central banks interest themselves in the provision of medical aid, particularly in times of distress. Some banks have created funds out of which expenditure can be incurred on measures for relieving suffering or distress among the constituents. Another systematic activity undertaken by central banks is the promotion of rural education. 354 *pathshalas* or schools are in existence as evidence of the banks' interest in education, and some of these receive grants from the State or from local bodies. These schools are meant for the children of members, but in a few places night schools are being opened for the benefit of members themselves. The diffusion of co-operative education and principles and practice can only follow the spread of elementary education and hence it is observed that no special efforts are made except in one or two places to educate members of societies in the duties and responsibilities. Systematic efforts are made to utilize the agency of co-operative societies in reducing litigation and much success has attended these in getting disputes in villages settled by reference to arbitration.



Non-agricultural societies numbered 261 at the close of the year. They had a membership of 15,904, and a total working capital of Rs. 15,47,223. 121 were credit societies, 69 with limited and 52 with unlimited liability. Among the former group were 56 societies of employees in various Government departments and offices and six societies of the type of peoples' banks. In addition, there were two societies each for traders, oilmen, blacksmiths and one each for cartmen, carpenters, and tailors. Societies for persons belonging to the depressed classes numbered 15 and for fishermen 25. The year saw the introduction of the producers' movement in the province and societies have been organized for metal workers, shoe-makers, and compositors and pressmen. The working capital of the credit societies stood at 9½ lakhs, and as in other provinces the resources of societies with limited liability were either owned or raised locally as deposits. The weavers' societies, which numbered 8, had a capital of a lakh and a quarter, the major portion of which was derived from central banks. Stores numbered 26, as against 23 in the previous year, and had a working capital of four lakhs and a half which was turned over only once during the year. Over forty per cent. of the resources represented borrowings from central banks. Only half a dozen among the stores are reported to be doing well, the most prominent among these being the co-operative stores at the Tata Iron and Steel Works in Jamshedpur. Thirteen were small stores in villages intended to provide the necessities of life for members and to market agricultural produce. Included in this group were two stores for weavers' societies both of which are interesting examples of the systematic manner in which Mr. Mohiuddin Ahmed, with the co-operation of Mr. B. A. Collins, the Director of Industries, has attempted to deal with the economic difficulties of the hand-loom weaver.

Central banks increased in number from 41 to 45, and their working capital increased from Rs. 49,67,818 to Rs. 69,08,841. Of this amount, 6½ lakhs represented shares and 2½ lakhs reserve funds. Deposits from societies were just over a lakh, and nearly 10½ lakhs were borrowed from the Provincial Bank. The banks hold 10½ lakhs in cash and nearly two lakhs in securities at the end of the year as against liabilities on account of deposits amounting to 48 lakhs. With the exception of savings deposits introduced in a few centres all the liabilities were on account of fixed deposits. The system in the province is for all deposits to be made repayable on a fixed date synchronizing with the season for the payment of dues by agriculturists. This system is reported to have worked very satisfactorily and a committee which was appointed by the Local Government to inquire into the financial position of the movement,

has recommended its continuance in view of the experience obtained of its working since it was rejected in 1915 by the Committee on Co-operation. The finances of the Provincial Bank, too, are reported to be in equally sound condition and the resources of the Bank increased during the year from Rs. 15,39,620 to Rs. 17,03,048. The share capital of the Bank amounted to Rs. 1,17,800 and the reserve fund to Rs. 76,000. 9½ lakhs were raised as deposits from the public and 5½ from central banks. The Provincial Bank deals only with central banks except in areas where new organization is undertaken and no bank is in existence. Almost every developed district has, however, more banks than one and the 17 districts to which the movement has spread are served by 44 banks. No bank has a clientele of less than 25 societies to start with and the maximum number of societies served by any one bank is 206. As the number of societies in any well-defined area grows, an attempt is made to provide these with their own local central bank. What is more interesting is that even though the banks cover comparatively small areas, the Co-operative Department encourages the formation of guaranteeing unions to serve as intermediaries between the societies and the banks and the number of unions increased from 79 to 92 in the year under report. The membership of the unions was 698 societies and the expenses on supervision amounted during the year to 5,173. The expenses of the central banks on management and supervision amounted to a lakh and a half and of the Provincial Bank to barely six thousand. The margin of income for the Provincial Bank is 3 to 4 per cent., two to three per cent. for the central banks, and about three per cent. for primary societies. The responsibility for organization and supervision is delegated mainly to central banks but to co-ordinate the work there is a Provincial Federation constituted on the model of the German federations. This undertakes the conduct of audit and the training of auditors, inspectors, managers and others. To decentralize administrative control, the Federation has organized five divisional boards, each dealing with an area corresponding to the charge of an Assistant Registrar. The Federation levies contributions from certain classes of societies for the expenses of audit and receives a handsome subsidy of nearly half a lakh to cover its expenses under various heads. The Registrar is ex officio Governor of the Federation.

#### BARODA

Unlike in previous years, the last annual report on the working of co-operative societies in Baroda is issued with commendable promptness, but the report is, as described by the Amatya of the State, a little colourless. It does not indicate whether the movement is really

getting a footing among the people or whether it is stagnating. In any case, the increase in numbers or the improvement in quality appears to be very slow, and no attempt seems to have been made to extend the movement to the backward Talukas. Following the lead given by the Bombay Presidency, the State has appointed honorary organizers who numbered 15 in the year under report. About six of these gentlemen are reported to have worked well, but it is difficult to gauge from the report if the Registrar is satisfied that there is a popular impulse behind the movement. Propagandist work consists in the publication of a journal jointly with the Agricultural Department and the holding of a local conference here and there. Some attention used to be devoted to the training of secretaries and inspecting officers but the report under review makes no mention of any activities in this direction.

The number of new societies registered during the year was 41 and the cancellations numbered eleven, leaving a net increase of thirty, from 509 to 539. The number of agricultural societies increased from 461 to 489, membership rose from 13,049 to 13,826 and their working capital from Rs. 3,87,672 to Rs. 4,27,732. A system of shares has been introduced in the credit societies, but the amount of share capital collected is still meagre. Rs. 46,046 represented shares and Rs. 2,60,407 the aggregate reserve funds. Nearly two lakhs were raised as deposits from members and a slightly higher amount as deposits from non-members. The rest of the capital was derived from central banks. Of the sum of nine lakhs advanced as loans during the year, nearly half was for purchase of seeds and manure and a lakh for repayment of previous debts. Recoveries amounted to 6½ lakhs, leaving a sum of 4½ lakhs overdue out of total outstandings of 13½ lakhs. This is by no means a satisfactory position, but the Registrar writes that as the cotton season was late large repayments came in after the close of the official year. Some of the credit societies interested themselves in the work of agricultural purchase and sale, but no details are given in the report about the exact nature and extent of the activities in their direction. The non-credit agricultural societies at the end of the year under report numbered 39. Two were milk supplying societies, nine irrigation societies, 27 fodder storage societies and one a grain bank. Special bye-laws were prepared for the fodder storage societies which are a novel feature of the co-operative organization in Baroda State, but no information about their lines of working is given in the report. The quantity of fodder collected in the year 1920 was 1,44,320 lbs. and nearly forty thousand pounds were added in the year 1921 which was not a favourable one. The starting of these societies has stimulated the private storage of fodder by individual cultivators for their personal requirements in times of distress.

The number of non-agricultural societies increased by one to 45. Five were societies for Government servants, 22 for weavers, five for Chamars, and two for Antyajias. The group also included eight urban banks and three stores. The membership of the societies decreased during the year from 3,883 to 3,443 but the working capital rose from Rs. 2,90,792 to Rs. 3,89,103. Some of the urban banks and employees' societies are reported to be working well. The weavers' societies have begun to undertake the functions of purchase and sale and the starting of a central store is contemplated for purchase of yarn and sale of finished articles.

The number of central banks in the State increased from 4 to 5, and the working capital from Rs. 8,01,39 to Rs. 8,78,150. One of the new banks registered during the year has for its area of operations a portion of the Baroda district already served by the central bank at Baroda. Another bank has only societies for its members. Out of the total working capital, a little over a lakh represented the share capital and a quarter of a lakh the aggregate reserve funds. Public deposits amounted to 5½ lakhs and deposits from societies to over half a lakh. Rs. 1,44,079 were held as loans and deposits from the State as against Rs. 1,76,255 held at the beginning of the year. The reserves in cash and securities were poor except in the bank at Baroda and not much progress in the direction of increasing the resources available for the movement was visible in any of the banks. The pure type of banking union at Kodinar is reported to have done well, particularly in promoting agricultural improvement. It exercised good supervision over the working of the affiliated societies, a function which was not assumed by any of the other banks with the exception of the one at Baroda. In view of the paucity of the resources of the co-operative banks, a number of societies sought financial help from the agricultural banks which are a special feature of the system of rural finance in the State. These banks numbered four and had a paid-up share capital of a lakh and forty thousand of which over sixty thousand were held by the State. Deposits amounted to a lakh and fifteen thousand and the reserve funds to twenty-three thousand. Loans to co-operative societies amounted to a lakh and twenty-three thousand, and to individuals to a lakh and six thousand. Holdings in cash and securities stood at three quarters of a lakh.

#### MYSORE

Mysore which was, until lately, one of the leading Indian States from the standpoint of co-operative activities has, it is extremely unfortunate, made scant progress during the last two or three years. The rate of increase in numbers, membership and resources is much slower than in

the earlier years, and during 1921-22 the net increase in the number of societies was only 22. The volume of total transactions was fifty lakhs under the corresponding figure of 1919-20, although during the past year the total membership and the aggregate working capital increased slightly. These, however, may not be signs of stagnation and may merely indicate the period of transition during which consolidation is preferred to expansion so as to lead on to sounder development in the future. A perusal of the last two annual reports, however, yields no evidence of any such policy as animating the Co-operative Department of the State. Except here and there one finds scarcely any hint of new activity, any indication of a new programme of reconstruction--such as has revolutionised the co-operative organization in the Punjab after the crisis of 1914. The impression seems to be that there has been brought into being a department of the State which like other departments must go on, whether there is life behind it or not. Unofficial enthusiasm seems to be on the wane or the State would not have been compelled to reduce the number of honorary organizers from 43 to 26. The Provincial Bank found itself in difficulties about raising funds and the new system of converting local banking unions into district banks seems to have failed to tap any fresh sources of capital for the movement. Touring had to be rigidly restricted for all classes of officers as the grants available to the Department for travelling charges were exhausted in the middle of the year for the reason that no special allowance was sanctioned by the State for the Committee of Inquiry. And the leisurely manner in which the Committee proceeded about its task also gives an index to the keenness of the authorities and the public to launch forth a policy of reconstruction. Similarly, the systematic programme of inquiring into the economic conditions and indebtedness of members initiated sometime ago is not being fully carried out.

The societies registered during the year numbered 51, while 28 societies had their registration cancelled and one society merged itself into another. Of the new registrations, two were for the development of agricultural co-operation, three for industrial co-operation, one was for sale of agricultural produce, nine were stores, one a building society, two grain banks, four were societies for the depressed classes and the remaining twenty-nine were ordinary credit societies. The number of agricultural societies increased from 1,225 to 1,233, their membership from 49,249 to 51,377, and their working capital from Rs. 23,98,108 to Rs. 25,12,033. Of the working capital, over eleven lakhs represented shares, and  $2\frac{3}{4}$  lakhs the reserve funds. Over  $8\frac{1}{4}$  lakhs were derived from central banks, and a little under a lakh from non-members' deposits. Deposits from members stood at Rs. 1,61,570, showing no increase over the previous

year's figures. The collections from members amounted to 49.83 lakhs as against the total demand of 68.02 lakhs and overdues amounted to 9 lakhs. 1,148 were credit societies and among the non-credit societies the largest group were societies for the supply of seed, manure or implements which numbered 72 at the close of the year. The majority of these were intended to supply a variety of Ragi seed recommended by the Agricultural Department. This work is also undertaken by about 70 credit societies. Prizes were awarded for the best crops of Ragi produced. Some of the societies supplied sugar-cane seedlings, others groundnut seed, and only a few dealt in implements. Hardly anything worth mentioning was achieved in the direction of popularizing the use of manures. Societies for the sale of produce numbered two and are reported to have succeeded in securing the joint sale of areca nut on satisfactory terms. The sale of copra and paddy on a co-operative basis was carried out by three societies. The other non-credit institutions were a society for lift irrigation, a dairy, and societies for rice-hulling and jaggery boiling. None of these showed good work. There were 56 grain banks in the State which dealt mainly in Ragi.

The number of non-agricultural societies increased from 256 to 270, the membership from 40,508 to 43,152, and the total capital from Rs. 34,84,689 to Rs. 37,16,301. 18½ lakhs represented shares and 4½ lakhs reserves. A lakh and a half were held as loans and deposits from central and other societies and 4½ lakhs as non-members' deposits. Deposits from members amounted to the fairly decent figure of 8½ lakhs. 154 were credit societies, all except 24 being of the limited liability type. The number of stores increased to 80 during the year, and the State is fortunate in that alone among all provinces and States in India, the Registrar is in a position to record substantial and satisfactory progress in the growth of consumers' co-operation. Goods worth ten lakhs were sold in the year, bringing in an aggregate profit of over half a lakh. There is a central store in Bangalore which seems to serve as a supplying agency for other stores in the State. Weavers' societies numbered 43. They had a membership of 1,270 and a working capital of a lakh and three quarters. About 25 of the societies engaged themselves in the purchase of raw material and the sale of finished products and the transactions under this head amounted to nearly four lakhs at a net profit of Rs. 19,822. There were nine house-building societies, one of which undertook the work of laying out sites, roads and drains and purchasing building materials. The other societies merely financed members for building houses. Among the other non-credit societies were six for sericulturists, two each for sandalwood workers and brass-makers, and one each for ivory-inlayers, jewellers, shoe-

makers, oil-mongers, mat-weavers and rattan-workers. There were two societies of the promotion of home-industries and six in Bangalore City for the supply of fuel obtained from the Forest Department.

The number of central societies remained 19 as in the previous year, while the aggregate working capital increased by about thirty thousand to Rs. 19,69,946. The share capital was 4.84 lakhs and the reserve funds 1.35 lakhs. Deposits amounted to over eleven lakhs, and the rest of the capital represented the deposits of societies or loans by the larger to smaller banks. As pointed out in previous reviews of annual reports from Mysore, the bulk of the financing is still centralized in two banks one of which deals with individuals as well as societies. Of the total resources of 11½ lakhs held by this latter bank, nearly six lakhs were lent to individuals. The other bank had a working capital of 5.62 lakhs, all invested in societies. There were only two other banks which did any considerable business, one with a capital of half a lakh and another with resources amounting to a lakh, about half of which were advanced to individuals. Of the rest, three were district banks and the remaining banking unions for small areas. The two central banks at Mysore and Bangalore had fairly satisfactory arrangements for the supervision of societies. The other banks did not interest themselves in the work and left inspection to be provided for by the Department, 28 out of the staff of 41 inspectors in the Department being specially intended for this work. The fact that recoveries in central banks amounted to 1½ lakhs against a total demand of 6½ lakhs points to the need for some more systematic arrangements being made by the financing agencies themselves.

## REVIEWS

**Marketing Agricultural Products.** By Dr. Hibbard. (D. Appleton & Co., New York.)

At a time when problems of co-operative distribution are engaging the attention of co-operators in the country, the appearance of a book on co-operative marketing is very welcome indeed. One great service that the book, apart from its other merits, does to the co-operative movement is in its exposition of the true position of the middleman and the important part he plays in marketing. The middleman performs a very necessary group of services. The arrangement may be ideal whereby consumers and producers meet; but to do away with him before these direct relations develop is unthinkable. The popular view that under the present system he waxes fat and happy, the producer gets very lean and dour, and the consumer ill-nourished, and that under

the co-operative form of economic organisation, the middleman is eliminated, is far from being correct. The services which the middleman performs cannot possibly be eliminated and whoever performs them is in a large sense a middleman, even though he be hired for the purpose by the producer or consumer. The middleman can at best be, therefore, absorbed in the producers' or consumers' organisations; he cannot be eliminated. This is precisely what co-operators in our country seem inclined to ignore. Consumers when they band themselves into a retail store seem to feel that there is nothing else to be done by them and that they would get things much cheaper than before. Co-operation is not magic. The profits of a store can only largely come by the consumers performing with equal efficiency and yet at a lesser cost the functions of the middleman. Producers when they organise a co-operative society, similarly seem to feel that nothing further could be expected of them and that beyond their wages, all the profits that went to the capitalist entrepreneur under the capitalistic system, should automatically fall into their pockets. They forget that active canvassing, touch with the market as regards the quantity, quality and type to be produced and all other functions have got to be performed under the co-operative, as under any other system and that larger profits can only come by themselves performing these services, with equal efficiency and yet at a lesser cost. The lack of such perception has spelt disaster, the consumers' societies remaining a prey to the fell disease, lack of loyalty, and producers' societies continuing to suffer from absence of market. The middleman's services must be performed by themselves or their paid employees; they cannot be left to the hard-worked officials of the co-operative department or the non-official honorary workers and sympathisers if they are to be performed with efficiency.

The first part of Prof. Hibbard's volume is a valuable analysis of marketing, its meaning, types and methods, its specific agencies—the commission merchant, the wholesaler, the jobber, the broker, the shipper and the retailer, and is an interesting exposition of the middleman and his service, and of the great part transportation plays as a market factor. Then follows a lucid description of the various methods used in financing market transactions and an interesting discussion of how prices are determined showing how it is neither supply and demand nor the costs of production that act as price determinants and how really complex price-fixing is.

The second part deals with reforms through general organisation and politics. It is, however, the third part that should interest



co-operators most, dealing as it does with reforms of marketing through co-operative business organisation. Co-operation and combination have been resorted to by labourers, capitalists and farmers to eliminate competition or at least to temper it in its effect. Co-operation among agriculturists is hence very necessary and highly desirable in marketing their produce to ensure at least a modest degree of control so that they may not have occasion to complain about getting only half of what the consumers pay for food-products. Standing alone at the end of a long line of agencies between the consumer and the raw product, the farmer is at a disadvantage and co-operation seems to be the most effective means of bringing about desired reforms. It is certainly gratifying to think that we in Bombay have realised correctly this paramount need, agricultural non-credit co-operation. Conditions are much the same the world over and the illiterate cultivator of India with his small and scattered holdings is at a much greater disadvantage under the competitive system of marketing than the American farmer of broad acres. There has been sought eagerly of late an active co-ordination of efforts between the agricultural and co-operative departments so as to extend the benefits of co-operation to farmers in the Presidency on the non-credit side. Purchase and sale societies of agriculturists are being organised, though, it must be confessed, the movement has not yet spread as widely as it ought to. Co-operation in manufacturing among farmers is almost exclusively an incident in the marketing process, and in many instances it is hardly more than the transfer of manufacturing operations of a purely domestic nature, such as butter-making to a convenient neighbourhood centre. Co-operation in transportation has not made much headway among farmers in America and elsewhere, but the motor truck seems to have great possibilities of co-operative development. Frequent and rapid transportation of articles, like dairy products and vegetables, can with advantage be undertaken by co-operative societies of farmers. Co-operation in distribution or the purchase society is rather hard to succeed. The store flourishes only among people who are willing to take some pains to save small sums. The farmer is not in a position to do a retail business, neither does he, as a rule, make a good director or even patron of a retail establishment to which he is tied.

The author follows this up with a valuable analysis of co-operation, its scope and meaning, and expounds the prerequisites to success. He emphasizes that there is no magic in co-operation, as such, that the plan carries with itself no guarantee of ability to do better, and that co-operation is simply a means of doing a piece of work through group action instead of letting each member of the group look out for himself

in dealing with buyers or sellers. He further points out very rightly, what is often forgotten or ignored by co-operative organisers, that co-operative societies must only be formed where and when there is occasion for such enterprise and not because some one thinks favourably of the principle in the abstract. The history of many retail stores in the Presidency and that of societies of other types including credit bears effective testimony to the harm done by ignoring this vital prerequisite to success. The occasion or the need has got to be economic and not moral, more or less of a permanent character, and not ephemeral. Sufficient business is another supreme necessity. A great number of co-operative enterprises have failed because of a lack of sufficient business to make possible a profitable undertaking. Any business venture involves the question of the probable amount of available business, but a co-operative enterprise especially needs to be undertaken with caution in this regard, since no one man is shouldering the whole burden and there is danger that too much dependence may be put upon the bare principle of association. Though good will and determination are of more importance than location, the prospects of success are much greater when the co-operators live sufficiently near together to permit frequent gatherings or, in any event, acquaintanceship, and compactness of membership within a territory is a favourable condition. It is equally true that leadership is of the utmost importance and that it is not super-abundant in connection with new movements. Leadership in big businesses is nearly always handsomely rewarded; but the author complains that in connection with farmers' movements in America (and the complaint is true for all co-operative organizations in India) leadership is usually poorly paid or unpaid. Workers there must be. All other considerations and prerequisites to success pale into insignificance before this most vital need—workers, honest, conscientious and efficient, who, in season and out of season, give unstinted time and energy to the enterprise with no hope or prospect of material reward. This is a very difficult group of qualities to find combined in any one individual; hence the sooner we recognise that leadership requires some adequate reward and that in the economic world, it has to take an economic form the better it will be. Loyalty to the society, subordination of minor differences to the common good, and an adequate system of accounting are other conditions conducive to success as every co-operator well knows. The need for having sufficient capital has been emphasized by the author and he remarks that after making a start with too little capital, the society finds it especially hard to increase the amount, since the situation under these circumstances is a discouraging one. Over-capitalisation has been rightly regarded as a

drag on the society; but under-capitalization is as great an error. The fascinating visions of a quick turnover are often too strong and promoters of co-operative societies are often content to start with inadequate capital.

The concluding chapters are devoted to co-operative efforts in the United States in the marketing of various classes of agricultural products. Co-operative grain elevators and bodies like the United States grain growers' national sales association or co-operative packing factories for bacon and meat products in connection with the control of the live-stock market are perhaps yet outside the range of practical co-operative effort in India. The question of the control of the milk market is discussed with reference to the producers, whereas the milk problem is more a consumers' than a producers' problem and ought to be tackled accordingly. The book concludes with a chapter on the achievements and possibilities of co-operation in the various trades—fruit, cotton and tobacco, etc.

Prof. Hibbard's volume is quite a useful contribution to co-operative literature and is suggestive in a number of ways to workers in similar fields in this country. Of course, American problems are not Indian problems, and American methods cannot, therefore, be methods likely to meet with success in India. Co-operation is one of those movements which to take root in a land must needs be based on the customs, aspirations and character of the people and not on model practices and ideas borrowed from abroad; the co-operative structure must grow and evolve in the country and not be ordered out ready-made from abroad.

H. L. K.

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**The Madras Co-operative Manual.** By F. R. Hemmingway, I.C.S., Late Registrar of Co-operative Societies, Madras Presidency, with a preface by His Excellency Lord Willingdon, Governor of Madras. (Government Press, Madras. Rs. 1-8-0)

The book attempts to supply the four-fold requirements of those engaged in the work of co-operation in Madras. They are, in the author's words, (1) a brief statement of the aims, objects, and achievements of Madras co-operators, (2) a detailed treatment for the use of village co-operators of the problems of the ordinary village society, (3) a hand-book of instructions for the officers of the Co-operative Department and (4) a hand-book of the various forms and bye-laws used by different types of co-operative societies. The book, therefore, falls into four parts more or less complete in themselves. The first three parts are sub-divided into chapters and chapters are again divided into suitable paragraphs according to subjects. Thus it is seen that the book

is planned systematically though a certain amount of repetition is unavoidable, as the first three chapters deal with more or less the same subjects, though from different points of view.

The first part, "A Short Introduction to Co-operation in the Madras Presidency", divided into seven chapters, introduces the reader to different types of societies obtaining in the Presidency, enunciates the general principles of co-operation and management underlying each type of society, and gives a brief statement of their objects and achievements. This part is on the whole very readable and to any one desirous of making his first acquaintance with co-operation, it may be safely recommended. The remarks of the author on 'One Village One Society' deserve to be noticed by co-operators in Bombay, where it is only slowly and reluctantly recognised that one village may have more than one society. Turning to urban societies, the author has wisely foreseen the danger of their growing too large and has thrown in a hint about splitting them up into two or more smaller societies, when they disclose any tendency to develop an unwieldy size. Bombay is the pioneer in the matter of people's banks and the danger apprehended by Mr. Hemmingway is actually threatening some of our big urban societies and the remedy suggested by the author deserves a very careful consideration at the hands of the leaders of the urban credit movement. It will be noticed in this part that Madras is very strong in its central banks, which sometime ago were more or less capitalistic concerns consisting entirely of individual members. It is very gratifying to learn that the principle that the affiliated societies should have a voice in their management is now conceded, and that central banks in Madras are now approximating to be the type recommended by the Committee on Co-operation. Bombay has been rather fortunate and wise in avoiding this undesirable feature from the very start, though central banks here cannot claim the same antiquity as similar institutions in Madras. In this part will also be found ample evidence of special efforts that Madras co-operators are making to introduce co-operation among the poor and backward classes, such as the Panchamas, while not much attention is paid to the lower strata of society in Bombay, it is the middle class that are in the van of co-operation and the poor are generally speaking, still left in the cold. The Panchama and other backward class societies form a notable feature of Madras co-operation, and it is very much hoped that Bombay will follow in the footsteps of Madras and make earnest efforts to carry co-operation to the lower strata of society. Bombay is likely to forget its poor in its traditional 'industrialism' and the passages that are devoted to this subject in the Madras Manual will prove an eye-opener to Bombay co-operators. After all, co-operation is essentially

a movement of the poor, and if it does not touch the lower ranks it will be wanting in its essential complement. The chapter on Societies for Purchase and Sale may be marked out for special attention, especially at the present time, when the need for joint purchases is so acutely felt to combat the profiteering spirit of middleman. Chapter VII deals with other types of societies, the last chapter being devoted to a brief description of the several supervising agencies of co-operative societies.

Part II, 'The Village Society's Handbook' consists of eleven chapters and treats of almost everything that a village society ought to know. It is in this part that the objects and duties of local unions are described and the remarks of the author on the Madras type of local unions deserve to be noted by the advocates of guaranteeing unions. Madras has so far set its face against the guaranteeing union, which institution is recommended by the Imperial Committee on Co-operation, as a necessary intermediary link between primaries and their financing institutions. Madras has evolved a type of its own, which is to be found in what is called a 'local union', which corresponds more or less to the Committee's guaranteeing union, with this difference that the affiliated societies do not guarantee one another's loans. The weak point of these local unions seems to be that as the affiliated societies do not guarantee the loans they may wink at one another's defects and recommend loans just to favour one another. This is a theoretical objection, which can be urged against a local union of the Madras type. But since we are assured by our Madras brethren that their unions are working well and have proved a success so far, the theoretical objection loses much of its force. In Bombay, too, where guaranteeing unions are being given a fair trial, the opinion of co-operators as to their success has not been quite unanimous, since in several cases mutual guarantee has not proved effective against reckless loans. Incidentally, it may be mentioned here that urban societies in Madras join a local union, which may cause some surprise to co-operators here. These societies gain nothing by joining a local union, since they do not need local supervision nor do they require outside loans. The Committee on Co-operation has opined that urban societies stand apart by themselves and cannot be linked on to any system devised for rural primaries, and one fails to see what good Madras co-operators expect out of this sort of joining together of dissimilar institutions. It is stated that these societies affiliated themselves to unions more often on sentimental grounds and a desire to take part in the life of the co-operative movement as a whole than from an expectation of solid advantages. If this is so, one must admire the brotherly spirit of the urban co-operators of Madras in making considerable contributions to the union fund, expecting almost

nothing in return. But a note of warning may be sounded that the vocal urban co-operators may dominate the life of a union and drown the voice and initiative of rural co-operators in the management of their own affairs.

Part III deals with 'Hints to Departmental Officers' and the chapter on 'Audit' deserves to be studied by co-operative officials, as it contains some useful questions which are not found in the Bombay audit memo. Part IV deals with the Act, rules, model bye-laws and forms. It would have added to the utility of the book, if the Act had had been briefly annotated. The Madras Rules are more exhaustive in some respects than Bombay rules and attention may be drawn to rules No. III, VII (c), IX and XIII (1) of the Madras Rules. Provision similar to XIII (1) of the Madras Rules seems to be necessary in the Bombay rules to prevent fraud in nominations, especially, when instances of fraudulent nomination have not been altogether unknown to us. The model bye-laws relating to recurring deposits, savings deposits, home-safe deposits, and Chit funds—which last has been an indigenous and special feature of Madras—deserve attention and some of them may with advantage be usefully embodied in our own. Credit societies are capable of doing more good to their members, if they are made use of as an agency for purchasing in common agricultural and domestic requisites and agricultural machinery, and the Madras model bye-laws No. 2 (3) and 2 (4), given on page 171 of the Manual, are designed to meet this object. So far, Indian co-operation has been one-sided and the progress made is chiefly in the direction of credit, and if cheap credit is to result in increased production, the development of non-credit co-operation is imperatively necessary. In fact, non-credit co-operation is a handmaid to increased production. Our credit societies should be trained to non-credit activities, and the first lessons of non-credit co-operation can be learnt by village societies if they undertake non-credit functions as provided for in the model bye-laws of Madras referred to above. From an educative point of view, great importance attaches to a similar provision in our bye-laws. It is a thin end of the wedge and the consumers' movement which is so badly needed for the Presidency, might take root and grow on this humble basis. Now, regarding forms. In the schedule (form of application for registration of society) to the rules, there seems to be a small inadvertent omission, which needs to be supplied. It is with regard to the language in which the society's accounts are to be kept. The Bombay schedule provides for this. In the admission book, the caste of members needs to be shown. The audit order book, if used as a visitors' book, would answer

both the purposes. Application forms for extending the period of loans and the register showing the liability of a member to the society, under loans taken directly or as surety, and receipt-form book are not found among Bombay forms and may be introduced. The practice of printing the 'Ten Main Points' of co-operation on pass books, and of having pass books of different colours for different kinds of deposits is commendable. Lastly, it may be observed that the number of Madras forms is a great deal more than those in use in this Presidency and they are also more exhaustive and detailed and several points can be picked from them for improving our forms. The model bye-laws, forms, etc., occupy a major portion of the book, which one cannot grudge considering that the book is meant for the use of those engaged in the actual work of co-operation. It may be mentioned casually that Assistant Registrars in Madras are allowed to register societies and it seems very necessary and desirable that Assistant Registrars in our Presidency also should be similarly empowered to prevent centralisation and over-crowding of work in the Registrar's Office.

Turning to appendices which are seven in number the attention of the reader may be drawn to Appendix III—regarding the 'admission of poor men to village societies' to which subject reference has been made earlier. It is necessary to appeal to Bombay and other co-operators to make the poor men the chief object of their solicitude, just as Madras has done. Appendix IV 'Adequate Loans to Members' deserves to be pondered over by financing banks and Panchayats, both of which bodies are chiefly responsible, as correctly diagnosed by author, for the grave defect of inadequate and untimely loans in our system of co-operative finance. Even in the most developed and best managed societies, it has been the experience of the writer of this review, that members do not receive adequate and timely finance from their societies and are, therefore, obliged to resort to the Sawkar for supplementing their borrowings from societies. This is a serious defect of co-operative finance and can be removed by concerted action on the part of Panchayats and financing institutions. It is hoped that the appendix in the Madras Manual will awaken all co-operators of light and leading to this defect, which seems to be more or less common to all the systems of co-operation in the various Indian provinces. The book gives a succinct account of the Madras system of co-operative working and its aspirations and is warmly recommended to advanced co-operators in all parts of the country for a comparative study, by which they cannot but profit in building up their own machinery. The style of the writer is simple and sometimes racy and attractive. The Madras Presidency is known for its thoroughness and painstaking efforts in every activity that it

undertakes and a perusal of the book will convince the reader that the system of co-operation as built up in Madras is quite upto its traditional reputation of 'thorough'. The book is priced at Re. 1-8-0 and is cheap compared to the Bombay Manual which is priced at Rs. 2-10-0. Its get-up and printing does not leave much to be desired. An index to the contents would have greatly added to the utility of the book, and should be inserted when the book next comes up for revision.

K. B. B.

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"Economic Developments in Denmark Before and During the World War". By  
Harold Westergaard. (Clarendon Press, Oxford.)

This is one of the publications of that world-famous, humanitarian institution, known as the "Carnegie Endowment for International Peace". It is a small book covering only 102 pages of actual text; but within such a small compass, Professor Westergaard of the University of Copenhagen has managed to give a very clear and concise account of the manifold aspects of the economic and social developments of Denmark, particularly during the last half or three-quarters of a century.

The book begins with a description of the early German influence in Denmark and proceeds to give an outline picture of the condition of the Danish peasants and artisans during the eighteenth and early nineteenth centuries. Attention is drawn to the two main motive forces that led to the rise of the lower classes in the latter half of the 19th century, namely, the spread of education and the nature of the political constitution of the country. It must be news to many that education was compulsory in the little State of Denmark as early as 1739 and that the reforms introduced in 1814 in the Danish system of elementary education made that country a model in that branch of education. Training of a university character, too, has undoubtedly been more easily available for people of moderate circumstances in Denmark than in many other countries.

These educational developments led to valuable researches being made in agricultural, veterinary and various other fields of inquiry. Early in the nineteenth century, again, Denmark led the way in establishing high schools for adults, the short six-monthly courses wherein were instrumental in widening the intellectual horizon of young men *and women*. This movement spread rapidly after 1864 and



it played a very important part in the social life of Denmark. Technical schools, agricultural schools, and trade schools were also established and they stimulated the industrial and commercial, along with the agricultural, development of the country. One wishes the author had said more about this educational foundation of the economic progress of the country.

The Free Constitution established on June 5th, 1849, was the other important factor which contributed to this result by giving all classes a part in political life. On the economic side, the fundamental idea of the new constitution was to organise the community so as to secure free development of the powers of the individual. That was in consonance with the economic ideas prevalent all over Europe at that time. The war of 1864 by which Prussia deprived Denmark of her duchies of Sleswick and Holstein had a beneficial reaction on the defeated in that it gave a strong impetus to the agricultural, industrial and commercial progress of the country which has virtually transformed its economic life during the last sixty years.

The most noteworthy feature about this economic development in Denmark is that it did not split that country into two warring camps, namely, capital and labour. For, side by side with the growth of the factory system, the working classes were able effectively to organise themselves and they had enough political influence to lead the State to enact social legislation helping the workers to help themselves. The book under review gives a fairly detailed account of the development of friendly societies, of accident insurance, old-age pensions, invalid insurance, of measures for the care of widows and orphans and of consumptives, of labour exchanges and of factory legislation during the last fifty years. But what will probably be of greater interest to the readers of this journal is the very instructive story which the book reveals of the development of Danish agriculture under the co-operative movement. Though not more than a dozen pages of the book are devoted to the treatment of this subject, they are very illuminating. Between 1850 and 1870 Denmark had a good time; her agriculture flourished; the production of wheat was doubled, and she got good prices by exporting more and more wheat to England. The competition of North American wheat, however, and the consequent fall in the price of wheat which continued from 1875 to 1896 meant distress for Denmark unless she adopted herself to the changed conditions. But she did so, and in a surprisingly short period too. In 1870, she was a wheat-exporting country; ten years later she ceased to be such, and by 1900 she began to import wheat in as great quantities as she used

to export before. In the meanwhile, she had developed the production and export of bacon and ham, butter and eggs, and had secured the most favourable position for these articles in the chief foreign market, namely, London. The improvement in the breed of cows and their yield of rich milk, the making of pasteurised cream and butter, the packing and sale of the same, the testing, packing and sale of eggs, the breeding of hogs and the export of bacon and ham—all these and allied operations were carried through successfully by the grit of Danish peasants banded together in co-operative associations.

All this industrial and agricultural development, coupled with the social legislation, no doubt, increased the material well-being of the Danish people, but their economic life had in that process become thoroughly interlinked with the economic life of foreign countries. They exported bacon, ham, butter and eggs at good prices, and they imported wheat, maize, oilcakes, fats, cotton, wool and coal. The European war, therefore, put their country under a severe economic strain by interrupting this free exchange of goods. Neutral Denmark had to adopt pretty much the same measures of State socialism as the belligerent countries had to do. The prohibition of export or heavy duties on export of certain articles, the fixing of maximum prices, rationing and tickets, State subsidies etc., etc., and similar measures all appeared in Denmark as in the neighbouring countries. The industrial and agricultural equipment of the country has, for the time being, been substantially reduced, but the people have been able to lay by a substantial reserve of purchasing power through their remunerative trade with the needy belligerents even in the restricted proportions allowed by the State.

The perusal of the book leaves one pleasant impression that in the economic development of Denmark, the free energy and initiative of the individual have been successfully combined with a well-organised social effort to effect a solution of national problems.

R. M. JOSHI

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**Rural Organisation.** By Walter Burr. (The Macmillan Co., New York.)

In spite of the immense differences of opinion existing amongst the various political parties in India they have all agreed on one point, namely, that Swaraj shall be based on an autonomous village system. The cry has gone round that we must fully develop the villages. The Government and the people have paid far too much attention to urban problems and rural questions have remained neglected. Every one feels that the era of rural organisation has arrived. The work has

been started long since, some experience has been gathered and now the time has come when organized plans for reconstruction should be devised and put into operation.

The problems of rural reconstruction are mainly the same throughout the whole world, but the methods of improvement vary. The book under review is written by an American for American conditions. He was a professional 'local leader' for certain local communities and in that capacity he came in direct touch with the living problems of the rural people. He is now a professor of sociology in a University.

The rural problems to be faced in any scheme of reconstruction have been divided by the author into two classes, that is, economic and social, and may be arranged this way.

Economic ...	{	Farm production
		Marketing
		Securing supplies
		Finance
		Communication and Transport
Social ...	{	Education
		Sanitation and Health
		Recreation
		Beautification
		Home-making

Under these heads, all the various problems affecting agricultural improvements, namely, land tenure, improved implements, irrigational facilities, artificial manure, co-operative buying and selling, co-operative credit, and rural banking have been treated. Whereas for questions which are peculiar to India such as the size of economic holdings, the Sarkar and the Sowkar, and details of rural pests, we have to gather information from our local experiences, reports, articles in magazines and books, the problem of beautification is not new to India but it must be confessed that to-day it is sadly forgotten.

One of the questions of utmost importance that meets reformers at the outset is that of *Leadership*. The rural community is defined in this book as a population group in an agricultural area of such size and unity as to permit its citizens readily to co-operate in group activities. When we apply this definition to Indian conditions, we find that excepting in a few caste communities unity of purpose does not exist, and it is doubtful if the caste organisation can develop a strong civic sense, in the future. There is not the slightest doubt about the possible utilisation of caste organization towards certain sectarian or group activities but these various units to-day show such exclusiveness that they may not be useful for larger organisations consisting of these.

various groups. The force of repulsion is very strong. What are then the various agencies or groups around which the communities may be formed?

We have the village Panchayat, the school, the co-operative or agricultural society, and, finally, we have or we may have a congress committee. Now, which body shall we utilise for our purpose of rural organisation? The village Panchayat, as constituted to-day, is a hot-bed of rivalry, intrigue and internal strife. The petty government officer sees to it that it remains perpetually divided. The village Panchayat can never flourish under the present system of administration. The school-master has lost his prestige and influence ever since he became a tiny part of a huge department, liable to be transferred at twenty-four hours' notice. The co-operative society is indeed a really useful community centre but it is far too small, too much narrowed down in its extent and and its scope of work. It is only when the political sense of the rural populations becomes actively alive that we may expect the people of a village to sink their local differences, to subordinate their prejudices, to make common cause against the trickery of the petty official, and to take up the sacred work of rural organisation. All constructive work is sacred and the temple, Mandir or Masjid is sacred only if it creates harmony. The village Mandir used to play an important part in the rural economy of ancient India. What part it will play in the future, one cannot tell.

Finally, it has to be remembered that institutional leaders have got to be trained. Practically no arrangement exists to-day for training such workers. Will not our Vidyapeeths take up this work of true nation-building? It is no use telling us that leaders are born, not made. This applies only to a few. The rest have to equip themselves with information which will enable them wisely to guide the developments of rural organisation.

SUMANT B. MEHTA

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**Studies in European Co-operation.** By C. F. Strickland, I.C.S., (Government Printing Press, Punjab, Lahore, 1922. Rs. 3/8.)

Of late we have been having some interesting books on Indian Co-operation. The book under review is intended, as the author points out, as a report on his deputation in Europe in 1920, jointly with Mr. M. L. Darling, I.C.S., to study the conditions of European co-operation. The author treats of the co-operative movement in Holland, Belgium, Italy and England and in the concluding chapters connects the practice described with theory, laying special emphasis on the movement in the

Punjab. Mr. Strickland has made a careful study of the movement in Europe, based on personal observation, and as such his account and conclusions have the special merit of interesting reality. The co-operative movement in India has now taken a firm root, but only in the special direction of agricultural credit. It is, therefore, necessary to relax this concentration and to extend co-operative effort in other directions as pointed out by the MacLagan Committee. When, therefore, our country is on the eve of taking a plunge in several co-operative directions, it behoves us to profit by the wisdom of others by avoiding their pitfalls. From this point of view, Mr. Strickland's book, one feels, has been published none too soon. He has given us a graphic and critical account of the varied achievements of co-operative effort in the four European countries studied. Italy is specially interesting to Indian students for its co-operative labour societies and collective farming. India is passing through her economic transition and it is, therefore, necessary to forestall its evil accompaniments by encouraging co-operative production and collective labour. Similarly, the sub-division and fragmentation of agricultural holdings are proceeding apace, and remedial measures are urgently called for. Legislation cannot help us much to consolidate the petty holdings. Co-operative collective farming is, therefore, the second best remedy we could aim at. Mr. Strickland in his interesting and comparative analysis at the end, refers to many other points of interest. We should take a warning from the experience of Holland and Belgium as to the danger of perversion of co-operative questions by religion and party politics, as both these dangers are threatening India at the present moment, though fortunately the co-operative field is free from them as yet. England, as the home of the consumers' movement, has much to teach a country that bids fair to be industrialised in the near future. Mr. Strickland's dicta as to the correct attitude of the State towards co-operative effort are, on the whole, well-framed and deserve careful consideration at the hands of Indian co-operators, who are rightly resentful of the tendency to officialise the movement that is occasionally observable in India. A perusal of the book leaves the impression on the reader's mind that the co-operative effort in India should be more evenly balanced and distributed, as especially we are now anxious to copy an important feature of the American model of industrialism—the harmonious and simultaneous development of agriculture and industries. Thereby, the ugly features of the latter could also be largely avoided.

S. G. BERI

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**Department of Industries. Report of 1922. (Government Central Press.)**

The annual report of this Department for 1921-22 presents a singular picture of changing staff, incomplete experiments, and lack of substantial achievement. Retrenchment has hampered the activities of this Department as of others too. But its effects are perhaps more visible in relation to a comparatively new Department like this than in the case of others which continue in their old grooves at least for some time without much loss of efficiency.

One of the most useful activities of the Department is the introduction of improved appliances for hand-loom weaving. The weaving schools met with considerable success and quite a number of demonstrations were arranged with good results. Government recognise in their resolution on the Report the great importance of this cottage industry in the economic organisation of India and it is very gratifying to note that they have under contemplation its organisation on a larger scale, *as funds permit*. It is earnestly to be hoped that the qualifying clause will not mean an indefinite postponement but that *funds will be found* as soon as possible for this very desirable object. For this purpose, co-ordination of efforts between the Co-operative and the Industries Department is very necessary and it would seem very desirable if both official and non-official co-operators are represented on the Advisory Board of the Department of Industries. Weavers not only require improved appliances like the fly-shuttle slay and the mechanical dobby to increase their output but also require capital available at a reasonable rate and facilities for purchasing yarn and implements and disposing off finished products at fair rates. Merely an increase in production cannot be enough to improve the economic condition of the weavers and to place the hand-loom industry on a satisfactory basis, unless it is accompanied by the starting and efficient working of co-operative credit, industrial, and store societies. It is not only in this, but in many other directions also, that a closer co-ordination is essential between the Co-operative and the Industries Departments. Among other cottage industries, dyeing and calico printing and casein manufacture engaged the attention of the Department, in the latter of which there seem to be not fair prospects of improvement. More rapid progress in the manufacture of pottery on a commercial scale is desirable as this industry appears to have very favourable circumstances for its development in the vicinity of Bombay where the finished products ought to find a ready market. It was regrettable that trawling was so unsuccessful as to be abandoned. Without expert knowledge of fisheries it is not possible to dogmatise ; but it appears that the costs of maint-

enance of the trawler were rather unnecessarily high. It is further a pity that the Engineering Workshops at Dapuri could not pay their way and entailed a loss of Rs. 29,000 and their transfer to the Public Works Department seems a good solution.

Besides these, technical advice and assistance was given in a number of cases, and scholarships were offered for technical education to encourage the gold and silver thread industry at Surat. On the whole, the work done during the year cannot satisfy the expectations of those who wish to see the Department run on the lines laid down by the Indian Industrial Commission, and if lack of funds is the only trouble, the sooner money is found for this Department, the better in the interests of the country.

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## EDITORIAL NOTES

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Under the new arrangements, according to which the Provincial Conference is to be held in Bombay every alternate year, the last Conference was held in Bombay in December last, the previous one having been held at Poona in September 1921. The outstanding impression which the Conference left was that there was some falling off in the attendance as compared with previous years, and that there was also a corresponding decline in the enthusiasm and interest exhibited by the delegates in the proceedings of the Conference. The change of venue had, however, little to do with these two regrettable features of the last Conference, nor were these caused by the absence as president of the Governor of the Presidency who generally opened the Conference every year and presided over its deliberations for a time. The stoppage of travelling allowances by Government might account for the decrease in the number of delegates from the mofussil. No similar explanation can be given for the poor attendance of local co-operators, for the absence of any leaders of public life and opinion in the city, and the failure to attract as visitors those large sections of the general public ever ready to interest themselves in any good cause. If the attendance was poor, the deliberations in the open sittings of the Conference were poorer still except on two subjects of general interest. There was little or no interest displayed in the major portion of the proceedings and most of the resolutions were just formally moved, supported, and adopted. As in previous years, it was found that the time assigned to some of the

sub-committees for their deliberations was inadequate and a good number of them either referred proposals placed on their agenda to committees to be appointed at the Conference or sent back the notes to the Institute for further consideration or refused altogether to take up the subjects for consideration. As this happened in spite of the effort to confine the agenda to as few items as possible, it is clear that some change in the present system of deliberation is essential.

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The resolutions have been published separately and cover a wide range of subjects. A committee has been appointed to make proposals for modification of the arbitration procedure and another to consider the future of the union system which subject is dealt with separately in this issue. The Conference accorded its approval to the recommendations made by a conference of central banks, held earlier in the year, that banks could recoup themselves for expenses incurred on supervision by levying contributions from affiliated societies. The raising of the limits of borrowing for central banks was approved from eight to ten times the owned capital, provided such additional resources were held in gilt-edged securities. The recommendations of a committee on the subject of transmission of funds by Remittance Transfer Receipt were adopted, according to which while Government were requested to continue the concession, co-operative banks were advised to develop their own machinery for the purpose. Another important resolution related to the financing of producers' societies, and it was resolved that the existing central, urban, and provincial banks should be encouraged to finance producers' societies until the demand for financial assistance was sufficient to justify the establishment of a separate bank. The formation of buying clubs as a preliminary to the starting of consumers' societies was approved, and the Registrar was requested to permit existing credit societies to modify their bye-laws so as to enable them to undertake the supply of household and other requirements of their members on the indent system. The only other resolutions in regard to consumers' societies were the recommendation that stores with a capital of less than Rs. 10,000 should have their accounts audited free of charge by a Government auditor and the proposal that an information bureau should be opened by the Institute to collect and disseminate information on market rates and fluctuations, distributing the cost among societies joining the bureau. The very modest proposals made by the committee appointed at the previous Conference to consider the question of the transfer of a few of the Registrar's functions were adopted,



and the Conference accepted the spirit of these proposals in holding the Institute responsible for systematic instruction and propaganda, charging it to prepare a regular programme for this work particularly among groups of badly managed societies. That, however, is very different from asking the Institute to shoulder the responsibility of mismanagement here, there and everywhere. The Institute has had nothing to do with the organization of societies nor has it assumed any responsibility for supervision. Statutory and administrative control continues to rest with the Registrar, and it was hence both unkind and unfair for the President of the Conference to have attempted to suggest in his address that the mismanagement and cancellation of a society reflected discredit on the Institute. There can be no transfer of responsibility without power, and no real transfer of control has yet been achieved in the co-operative organization in this Presidency.

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The two questions which gave rise to some lively discussion were such as go to the root of the economic position of cultivators in this Presidency. One is the problem of rural indebtedness and its relief, the other the problem of fragmentation and sub-division of holdings and the allied question of economic cultivation. Both are mainly problems of modern India, as its socio-economic organization has developed under British rule. This is particularly true of Western India and the Deccan, and a perusal of Dr. Maun's admirable village studies bears out this view. As between the two, the relief of indebtedness is the simpler problem, for it is not complicated by the inter-action of any social customs or laws. The main desiderata are an efficient organization and money. The organization is there in the shape of co-operative societies and it can be made more efficient by supervision and guidance. The provision of funds may later on present difficulties, but it does not do so now when only a beginning is to be made in one selected area after another. Besides, the central financing agencies appear to have established credit enough to attract capital in a much larger measure than at present, if so required. But those whose gaze is always fixed on foreign systems of administration and whose standpoint is not Indian refuse to take any action which is not supported by foreign precedents. Unfortunately for this country, the problem of rural indebtedness is a wholly peculiar one, caused by the inelasticity of its land revenue system, the rigidity of the legal machinery, the educational backwardness of the peasantry, the lack of secondary occupations, and the absence of any organized agency for developing banking and tapping local resources. All Indian Provinces.

show in their annual reports on the working of co-operative societies large proportions of advances made from year to year for liquidation of prior debts or redemption of land. We, in Bombay, have put a ban on all applications for outside financial help for such purposes unless the societies have reached an almost ideal standard of perfection. And we complain if there are in consequence arrears—because of attempts to meet the Sowcar's demands—or if deposits fail to increase, as is natural when agriculturists are allowed to remain heavily in debt. It was fortunate that there were a few veteran co-operators who saved the Conference from humiliation by defeating a proposition put forward by the sub-committee that there was no need to devise any scheme of debt redemption for all or any group of primary societies. The Conference threw out this proposal and appointed a committee to inquire into the whole question fully and to submit its report to the next Conference.

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The other question rightly no hesitation shown in tackling it, possibly  
 Consolidation of Holdings because whereas close investigation of the former question  
 may betray "the skeleton in the cupboard", as Sir  
 Dinshaw Wacha describes it, the evils of sub-division and fragmentation  
 reflect little discredit on the State, as no State action can be held  
 directly responsible for the growth of these evils. The Conference drew  
 attention to the experimental societies in the Punjab for the consolida-  
 tion of holdings, but doubted if that line of action would prove popular  
 in this Presidency. It might succeed in some parts after much pro-  
 pagandist effort. Such effort on general lines, in the opinion of the  
 Conference, was imperatively needed to draw pointed attention to the  
 importance of this question as affecting the economic and social condi-  
 tions of the rural classes. The Conference further urged that an enabling  
 law should be passed so that on the application of the owners of 75 per  
 cent. of the land in a village the consolidation of the land should be  
 undertaken and the scheme carried out subject to the consent to the  
 scheme of the owners of 75 per cent. of such land. The Institute has  
 been asked to investigate the measures necessary to prevent future  
 sub-division and fragmentation after such consolidation has been carried  
 out, but the conduct of this investigation, it was held, should in no way  
 delay action in the direction of consolidation. The Conference expressed  
 its opinion that the question of economic cultivation would be much simpli-  
 fied if co-operative farming could be extensively undertaken. Two  
 societies for the joint cultivation of lands have already been organized  
 in this Presidency which hold lands on lease from members for common  
 cultivation, and these experimental societies may pave the way for

co-operative farms, of the type found in Italy, providing a solution for the economic maladies of the dry zones of the Deccan or the rack, rented Konkan districts.

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It is very gratifying to note that the Institute added a new and very useful adjunct to the last Provincial Co-operative Conference held at Bombay in December last. Conferences serve doubtless a very useful purpose indeed. They help exchange of experiences and ideas, formulation of important policies, focussing of thought, furtherance of propaganda and co-operative education. But conferences, co-operative like others, of late, have been so numerous that though their frequency does not detract from their usefulness, they have become somewhat routine annual functions, discussing problems chiefly of co-operative banking which is the important branch so far developed of co-operative activities in India. The other forms—distributive and industrial co-operation—arouse no enthusiasm, no intelligent discussion, and interest but a very limited number of delegates who in the main are representatives of urban and rural co-operative banks. It is not surprising, therefore, that there should be found in the country a fairly large body of men who understand co-operation to mean only credit co-operation, who regard the co-operative movement as merely a rural movement and who, easily daunted by the early failures of co-operative shop-keeping and co-operative production, waver in their faith in the co-operative form of the economic organisation of society. A practical demonstration, therefore, of what co-operation has achieved in the field of production and an object-lesson in the possibilities of this great movement for the stimulation of cottage industries and indigenous crafts was indeed very necessary. The Co-operative Products Exhibition, therefore, served as an eye-opener and an educator. It served to show to the consumer what useful part cottage industries properly organised yet play and could play in the industrial structure of India and how many useful and interesting products could be turned out, comparing very favourably in price and quality, with similar goods manufactured in capitalistic concerns. It served to show to the producers what kind of products consumers liked and appreciated and to bring them into closer touch with a wider market enabling a better adjustment to the wants of customers than before. It served thus as a link between the producer and the consumer, a step towards the elimination of exploitation, towards the absorption of unnecessary middlemen whose profits make fearful inroads both ways—fleecing the consumer and sweating the

producer. It served to show to the co-operator that his faith in co-operative production properly organised was not misplaced and it served to show to the powers-that-be in the realm of co-operation in this Presidency, by a comparative study, what steps are necessary to further the movement.

The Exhibition was a success, a great success. It was the first of its kind organised in India, strictly confined to co-operative products. The Institute deserves to be congratulated for undertaking the work and creditably seeing it through, although one would have liked the Exhibition to have been more effectively advertised and more widely known among the general public of Bombay. It appears, however, this could not be done because there was a good deal of uncertainty about the number and quality of the exhibits and about finance also right up to almost the last day before the Exhibition was declared open by the President of the Conference, the Hon. Mr. C. V. Mehta. The counter-attraction of the Red Cross Fete, with all its amusements and side shows, just about the same time was a very powerful distraction. It speaks much, however, for the organisers that about a hundred co-operative societies sent in exhibits which numbered more than 3,000, and for the success of the Exhibition that in spite of the disabilities referred to above more than 2,000 persons visited it and the sales went up to more than 50 per cent. of the total value of the exhibits. The Exhibition Hall was tastefully decorated with buntings and festoons and the walls showed conspicuously charts depicting graphically the growth of the co-operative movement in the Presidency, co-operative mottos and plans and photographs sent in by the housing societies. The weavers' societies of the Central and Southern Divisions of the Presidency were there with their Saris and Khans, the co-operative goldsmiths were there with their beautiful caskets, ornaments and jewellery, the Co-operative Foundry with its iron castings and parts of machinery, the Ambubai Karyalaya of Satara with its fine leather goods, the Halla Society of Sind with its lacquer work. H. E. H. the Nizam's Dominions were strikingly conspicuous with their characteristic artistic products, the silks of Siddipet and Sangareddy and the Belari ware of Bidar being particularly noticeable. The Punjab weavers kept up their traditional reputation, their lungis, silk coatings and shirtings, carpets and Khes being in keen demand. Mysore sandalwood work was also highly appreciated by visitors to the Exhibition. The short time at the disposal of the organisers could not permit the Ganges, Brahmaputra and Irawaddy valleys responding suitably by sending in exhibits. Since

the Exhibition was held, arrangements, have been made with two prominent Indian Stores in the City under which products of industrial co-operative societies will be sold there on a commission basis at 6½ per cent. and co-operative retail stores will be able to get therefrom their requirements at one per cent. above the cost price to the Stores. These two Stores, if the arrangements are perfected and work smoothly, will thus act as a sort of a first step towards the evolution of a Bombay C. W. S. It is further understood that Government help and patronage will also be forthcoming in a greater measure than before to forward co-operative production and distribution. Hence it may be asserted with confidence that the Exhibition will bear very useful fruit and that the next Exhibition, when held, will reveal a distinct progress of industrial co-operation in the Bombay Presidency.

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**Future of  
Guaranteeing  
Unions**

Almost all provinces in India have some central co-operative society covering an area very much smaller than the revenue district for supervision and assessment of credit. In Burma, they have an admirable system of guaranteeing unions for rural areas. In Madras, there is a similar net-work of supervising unions. In the Central Provinces, they have guaranteeing unions to serve as links between village societies and central banks, although the latter as a rule cover an area smaller than a district. The system of guaranteeing unions forms an integral part of the co-operative structure in Bihar and Orissa. In the Punjab, we find a growing number of banking unions for small compact areas. In Bengal and the United Provinces, unions do not flourish owing to the backwardness and the dependent condition of the peasantry, but the central bank in these provinces serves areas much smaller than a district. Rural co-operators are in a position to influence its policy, and in some cases have secured the controlling voice. In Bombay, we introduced the system of guaranteeing unions for the same reason. But the agency is under a cloud of apparent failure, and the opinion is often expressed that the unions should either be ended or mended out of recognition by the deletion or suspension of the guaranteeing sections of the bye-laws. The union system appears to have failed because, in the first place, we have demanded from it a greater degree of perfection than from other institutions. Again, a certain type of institution will flourish only if the atmosphere is congenial to its growth, and there is no doubt but that the stoppage of fresh registrations has indirectly had an adverse moral effect. Another factor contributing towards this apparent failure was the suspension of credits and the withdrawal of all financial facilities. It is, moreover, unfair to criticize adversely a system which is not allowed to

grow or develop, but which is subjected to censure of a type which it has not been the lot of any other unit in the movement to undergo. Started originally as a link between the Provincial Bank and primary societies, the initial mistake was in not taking any special measures to develop the agency and train its committees along right lines of work. Another mistake was the granting of lump credits to all unions at the start. If we had moved slowly and stage by stage, the present difficulties might not have arisen. From the standpoint of primary societies themselves, the reason why societies will not group themselves into new unions is not their aversion to undertaking liability on behalf of other neighbouring societies but the dread of suspension of all financial facilities if other societies go wrong or the union is not very carefully looked after. There is also some objection to payment of the union subscription as that goes to reduce the profits of primary societies. It has been further imagined that the only method of financing unions is the grant of lump credits and the only method of enforcing discipline the withdrawal of such credits. This is a wrong impression. The correct procedure is that which prevails in Burma, from where we have borrowed our union system. In Burma, it is only the best of unions, those with efficient supervision and where all the societies are classed "A" or "B" which are entitled to receive lump credits which they may distribute to the member societies at their discretion. In ordinary unions, where the bulk of the societies are moderately well managed and the standard of supervision is just fair, no lump credits are sanctioned to the union as a whole. All well-managed societies in these get credits individually and the other societies only get loans sanctioned from time to time. The only difference between societies in such unions, and non-union societies is that the applications have not to go to the Registrar every time or that in view of the supervision which the unions exercise their credit-worthiness is taken as enhanced by a small percentage, both in regard to societies which get credits and in regard to those which have to apply for every individual requirement separately. In unions which do not perform their essential functions of supervision even moderately well and the bulk of the societies are indifferently managed no credits are given to individual societies. Another difficulty is the relation in which unions stand to district banks. Until 1920, it was the policy that in the earlier stages unions should continue to be financed by the Provincial Bank. But in that year the policy suddenly underwent a change; it is this change in policy that has led to confusion and uncertainty. Neither the Provincial Bank nor district banks nor unions know exactly where they are, with the result that while the financing agencies assumed responsibility for supervision they ceased to make

themselves responsible for the organization and development of unions. It was wrongly felt that the starting of fresh unions would hamper the growth of central banks, and as credits were refused or reduced by some district banks, primary societies, to which the main attraction of the union system was the cutting out of delays in sanction of loans and the enjoyment of facilities for prompt and adequate finance, did not feel impelled to start new unions.

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Before proceeding to discuss the possible lines of action it is necessary to examine the constitution and functions of guaranteeing unions carefully. The union, although a corporate body, has no capital of its own, nor does it do any banking business, handle cash, or assume any financial responsibility. Bye-law 13 makes it clear that "the union as such undertakes no financial liability." It is the constituent societies in the union which individually guarantee the outside borrowings of all other societies in the union provided that such borrowings have been incurred with the approval of the union committee. The union having no guarantee fund cannot very well assume direct liability; the liability too is, therefore, contingent and indirect. As Mr. Ewbank observes in his paper published in the 'Indian Co-operative Studies' "the defaulting society is first cancelled and the joint unlimited liability of its members enforced to the uttermost. It is only if at the end of the liquidation any deficit remains, the payment of which has been guaranteed by the union, that the other union societies are required to make it good in proportion to the degree of liability accepted by each of them." The business of the union is to carry on supervision, assess the credit-worthiness of the societies from year to year, and to recommend constituent societies for loans or credits. The union is not like a primary society which is a village bank, has a guarantee fund, and assumes liability for the borrowings which it obtains on the strength of its own creditworthiness. It is in reality a body composed of different units each of which remains liable for its own debts. The only difference is that as a consequence of the supervision exercised and the guarantee assumed, their credit-worthiness is taken as enhanced, and financing institutions have found it safe to entrust them with credits on which they are allowed to operate without further enquiries on every occasion when an advance is required. It is true that the fixing of the borrowing power of a society upto twelve times its liability or of a union upto six times the total liability of all constituent societies appears on the face of it arbitrary, particularly when the guarantee is based on no guarantee fund or represents no direct.

responsibility for payment on default but is an indirect contingent liability. When fixing these proportions at a Departmental Conference held in 1916, the Registrar and other co-operators felt that the figures provided a margin of risk which could well be assumed provided the unions performed their supervising functions efficiently. But it has to be remembered that because the bye-laws authorize unions to borrow upto a maximum limit, all unions do not actually borrow upto that limit. Each union is now expected to get the affiliated societies to frame the maximum normal credits of their individual members; the various societies send in statements of their requirements as assessed at their own general meetings; these are checked by the union's supervising officers; and they have finally to be adopted at the union general meeting. There is then the scrutiny of the financing bank's inspecting officer who visits all unions at the time of the revision of their credits and he recommends his own limit based on the needs and the record of each union, which limit must not exceed the guaranteeing power and is generally well within it. The applications of unions under the Provincial Bank go, with the inspector's recommendation, to the Assistant Registrar who exercises his own check, then to the Registrar who tests them by his standards, and finally to the Board of the Bank have the right to reduce the credits if they are not satisfied with a union's condition. It is difficult to hold that it is the system of guarantee that has led to any over-financing of societies and as a result to the growth of arrears.

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The charge is levelled against the present system that the unions do not expel recalcitrant societies. It is not that unions hesitate to dismember bad societies and continue allowing to such societies financial facilities. Generally, credits to bad societies are suspended either on the unions' own initiative or on the recommendation of the financing bank or the Registrar. But it has hitherto been the view of the local co-operative workers responsible for unions that the bad societies should not be allowed to leave unions lest the little local influence which the sister institutions and the union supervisors can bring to bear on them be lost. Another difficulty in getting rid of the bad societies has been that in a good number of unions the membership is only four which is the minimum necessary under the law, and if one goes out the union may have to dissolve itself. It is also often urged that for the efficient working of unions there should be detailed control exercised by financing agencies over the unions affiliated to them. Detailed control is as objectionable in principle as it is difficult to enforce in practice. There should be fairly close and

Possible  
Improvements



continuous supervision and also clear enunciation of principles which must be strictly adhered to. Beyond this, it is not desirable to go, and there is no meaning in creating a local agency if it is to be unduly dependent for its good management and development on detailed control from financing agencies. Finally, it is necessary to examine if the improvements in constitution and direction of policy, about which almost all workers are agreed, cannot be introduced without changing the entire frame-work of the existing guaranteeing union system, or whether it is necessary or desirable to create a new type of organisation by omitting the guaranteeing powers of unions and developing them as purely supervising agencies. The idea underlying the guaranteeing sections of the by-laws was to attach some responsibility to the recommendation of the unions to the financing agencies, to add weight to their assessment of the creditworthiness of their constituent societies, and to invest their supervisory work with some importance. To quote Mr. Ewbank, again, "Finance and supervision are closely interdependent. No financing agency could work satisfactorily without some means of appraising the credit of borrowing societies and of judging the quality of their management. On the other hand, mere supervision and advice unweighted by any definite responsibility for its results, is likely to prove formal and futile. Any policy that divorces finance and supervision and entrusts them to distinct and unconnected agencies would, therefore, be likely to come to grief." The same point is emphasised in the opening paragraph of Leaflet W (2), prepared by Mr. Rothfeld, in the following words: "It is hoped that the responsibility incurred by each member of each society with a union for all the members of all the other societies under it, though under definite limitations, will add keenness to the supervision of the union's officers and weight to their advice and warnings." Further, it has to be noted that the consolidated liability that each society assumes is not based on arbitrary figures or regulated so as to increase the borrowing powers. As Mr. Ewbank notes in the Paper referred to above, "The liability is not a divided one, distributed over all the members, but is a lump liability calculated on a rough mechanical scale and attaches to a society as a whole. The extent of the liability accepted varies according to the needs, property and occupations of its members as verified by the Registrar." These extracts and the arguments based on them, serve to show the need for backing up by a guarantee the work of supervision and assessment of credit undertaken by unions. It is further necessary to add that the last Provincial Co-operative Conference too was definitely of the opinion that the form of guarantee should remain as at present. The moral effect of the liability is considerable and should not be lost, even if its material value is discounted by the

absence of a guarantee fund. If at all it is necessary, some guarantee fund may be created, or as an alternative the sections of the bye-laws which authorize borrowing up to six times or twelve times the liability undertaken may be dropped in new unions. The assessment of the borrowing capacity of the societies will then be based on their credit-worthiness as judged by various factors, and the privilege of a lump credit will be made available only to the best among unions. This will necessarily involve increased supervision by financing agencies. To conclude, in view of the financial safeguards of the present system it will be of doubtful advantage to create a new agency which does not provide these safeguards. Central banks may very well refuse to extend to them the same credit facilities which they grant to guaranteeing unions. We shall have then to accept the position that the facility of obtaining prompt and adequate finance will no longer serve as an inducement to the starting of unions and that some pressure may have to be used in getting societies to federate into unions. It is for co-operators to decide whether it is necessary to take this step or whether the end we have in view cannot be achieved by introducing improvements in the existing system of guaranteeing unions and by developing our machinery for supervision and financial control.

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Under the Co-operative Societies' Rules, a society with limited liability can incur borrowings only upto the extent of eight times its paid-up share capital and reserve fund. The Co-operative Societies Act places no direct restrictions on borrowings but leaves to the rules and bye-laws to regulate these. No restrictions were actually in operation until the rules were revised in 1918. The absence of any provision in this respect was due, in the first place, to the undeveloped state of the system of co-operative banking in this Presidency and the consequent lack of any data for formulation of general principles. Secondly, it must be admitted that the question was not examined from the strict financial point of view. Such an investigation was carried out by the Committee on Co-operation whose Report was published in 1915. This Committee examined the matter from all aspects, the standpoint of financial safety, the standpoint of banking experience and practice, and the standpoint of the requirements of the movement. Its finding was that the proportion of eight to one between the borrowed and the owned capital should be the maximum permitted in central banks. Almost all Local Governments, supported by the opinion of non-official co-operators, concurred in this recommendation. In this Presidency, it was accepted as the policy of the movement and was embodied in a Rule which is binding

on all classes of societies based on limited liability. Like all rules of general application, this restriction does operate as a hardship in some central banks. Experience shows that, with the exception of some individuals whose sympathies are enlisted at the outset, very few fresh individual members are attracted, firstly, because they do not expect any considerable return for the liability they assume, and, secondly, because membership confers on them no benefit in the shape of ability to borrow. Affiliated societies which are dependent on the central banks for financing their members have generally not built up resources substantial enough to contribute handsomely to the share capital. On the other hand, deposits flow in freely and when they are insufficient, loans have to be taken from the Provincial Bank to meet the requirements of affiliated societies. At the time of foundation, no care was taken to give the banks an area which on the minimum share capital they could raise they would finance without difficulty. Hence almost in every district there are found numbers of societies which cannot be financed out of the resources available at the disposal of the local central bank, and there is a general demand that the limitation imposed by the rules should be withdrawn or at any rate modified so as to increase the proportion from eight to twelve.

In the law governing commercial joint stock banks, there is no such limitation in operation. But an examination of their statistics shows that the proportion of outside liabilities to shares and reserves varies between 10 to 1 and 15 to 1. In sound well-established banks the proportion is often lower. But joint stock banks possess several advantages over co-operative banks. In the first place, most commercial banks have a directorate composed of business-men—persons who have spent all their life in trade and finance, and who are acquainted with the tendency of the money market. Co-operative banks have a directorate composed, as a rule, largely of amateurs in finance—persons who are not conversant with the trend of finance and trade. Secondly, commercial banks have a manager trained in banking and in close touch with the commercial world. Co-operative banks employ generally a much less qualified class of men as managers. The advances of joint stock banks are sometimes repayable at call, they are often fixed for short periods, and are invariably turned over frequently and are made on such security and for such purposes that they are easily realizable. Co-operative central banks have their loans fully repaid on an average once in three years' time, in annual instalments. Though the security is good, the

loans are not easily recoverable and the occurrence of agrarian distress upsets the entire basis of their finances. Often the advances of joint stock banks and commercial banks are against securities which can be pledged or discounted with ease. No arrangements exist for the re-discount of the paper of co-operative banks, and, moreover, the form of security is not always negotiable. The bills of commercial banks are always available for raising fresh borrowings. No such power is enjoyed by central banks. Finally, commercial banks do not lock up the whole or even a major portion of their capital in investments with their customers. They hold large issues of Government paper and other gilt-edged securities, apart from holdings in cash and current accounts, and fixed deposits. Central banks in the Presidency do not possess, with a few exceptions, any holdings in Government and other authorised securities. Latterly, some have begun to accumulate fixed deposits in the Provincial Bank. But this tendency has not become general, and as a rule it may safely be asserted that we have not achieved that state of equipoise when the outside liabilities are adequately covered by easily realizable or negotiable investments and when even in years of scarcity or distress, during which the springs of recovery dry up, liabilities can be met without difficulty. Adequate provision in regard to fluid resource involves considerable sacrifice of profit. It necessitates the locking up of large portions of our resources outside the movement. Provision to a certain extent has to be insisted upon in central banks, but beyond that it may neither be desirable nor possible to go. Hence the need for a working rule of caution like the one limiting liability to eight times the owned capital. This proportion is equal to that observed in the best of commercial banks. It is not much lower than the prevailing average as seen from the statistics of joint stock banks. Expert enquiry has arrived at this standard after scrutiny of the position in various provinces and this opinion has found general acceptance. Insistence on the standard may cause some inconvenience in individual cases but in banking, safety should be a consideration next in importance to none other.

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The island of Ceylon, though placed under a different administration, follows in several respects the administrative methods of British India. Thus, about ten years ago, it adopted an Ordinance to regulate the business of co-operative societies, similar to the Co-operative Societies Act in force in this country. A perusal of the annual report on the working of societies in Ceylon shows how closely modelled its system is on that prevailing here and how common are the problems confronting co-operators in the two

Co-operation in  
Ceylon

countries and the methods employed to solve these problems. The total number of societies increased during the year 1921-22 from 154 to 169. The membership rose from 17,890 to 19,957, and the total capital stood at two lakhs and a half. All except twenty societies were based on unlimited liability; 8 of them were classed as non-agricultural and the rest as agricultural. Among the non-agricultural societies there were two industrial societies and two store societies. There was also one society for the benefit of rickshaw-men, and it is proposed to start societies to promote the development of the weaving industry. In addition to their cash transactions, a good number of the agricultural societies interested themselves in the supply of manures for paddy and other crops. The figures of the quantity and value of manures supplied showed a decline as compared with the previous year's figures but this was due not to any slackening of effort but to the shortage of the available supplies of bone manures and the delays that occurred in settling accounts. The report speaks of a few instances of ploughs and the implements being supplied by the societies. Of the working capital, a lakh and a half were raised by shares and half a lakh by loans from Government. Deposits from members amounted to the small sum of Rs. 16,380 and the reserve funds to Rs. 25,057. There is no central society in Ceylon, although the Registrar believes that central organizations for finance, supervision or supply and sale will have to be brought into being in the near future. The most interesting feature of the co-operative movement in Ceylon is the attention devoted to the development of co-operative education and the active encouragement of agricultural improvement through co-operative societies. The report mentions several cases of societies holding demonstrations of new methods of paddy cultivation and granting prizes and medals for the best cultivated fields. Training classes were held at several centres and were well attended by co-operators and others. Liberal assistance was given by Government for the expenses of this educational work and the office-bearers of societies were allowed free travelling on the railways and had their out-of-pocket expenses defrayed by the Registrar.

In view of the criticisms passed on the Co-operative Federation, C. P. and Berar, by the Committee of Inquiry appointed last year and the endorsement of its recommendations by the Local Government, special interest attaches to the last annual report of the Federation and the address delivered by the Governor in placing it before the Federation Congress. Although the future of the Federation was uncertain, during the year its ordinary activities went on as usual. Audit forms the chief

activity of the Federation and out of a total number of 4,282 registered agricultural societies, 2,002 were audited by auditors working under the Federation. The staff of these auditors numbered 31, as against 37 in the previous year. The decrease is explained on the ground that the central banks whose agency the Federation employs have begun to rely more and more on the trained members of societies, 32 of whom hold licenses to audit the accounts of societies. The total cost of the audit came to Rs. 24,085 which was fully borne by the primary societies; the central banks, it may be mentioned parenthetically, obtained Government audit free of cost. The work of writing accounts of primary societies continues to be performed by a staff of Moharrirs working under central banks and paid out of *per capita* collections made by the Federation from primary societies. Owing to the stoppage, under the orders of the Registrar, of any contributions to the Federation by the Provincial Bank the Federation was not in a position to make any grants to central banks for propaganda, organization or audit or for the education and training of members of primary societies. Some activity in this latter direction was undertaken by banks out of their own resources, and the total number of members trained during the year to audit accounts was 55 and of those trained to write the accounts 175. A training class was held for the superior staff of banks and an interesting course of lectures was arranged. In presenting this report to the Congress of the Federation, Mr. Kolte alluded to the financial position of the movement in the provinces which caused considerable alarm some time back but which had improved appreciably in the year under review. He pointed out that the rate of interest on advances was almost as high as that of Sowkars and suggested the sending of a deputation of non-officials to study the system of co-operative banking in other parts of the country. He bewailed the failure to develop non-credit activities and deplored the lack of success which had attended the consumers' movement. But the most important portion of Mr. Kolte's address was that in which he dwelt on the place of the Federation in the co-operative system of any country, as the central organization in which are vested all powers of internal control. When once primary societies are asked to pay for their audit, it stands to reason that the work of audit should be conducted by a staff responsible to these societies or their central organization. In Germany, it is federations and unions which conduct audit and the Committee on Co-operation made the very sensible recommendation that the conduct of primary audit should be entrusted to co-operative institutions themselves, the results of such audit being checked periodically by a staff of auditors paid wholly by Government and working under the Registrar. This was the system

adopted in the Central Provinces and Mr. Kolte is naturally anxious to prevent any disturbance of this arrangement as has been recommended by the Committee of Inquiry. Another interesting suggestion made by Mr. Kolte was to encourage the growth of an independent body of co-operative auditors controlled neither by the Registrar nor by the banks nor by the Federation but holding licenses to be granted after inquiry into their qualifications and experience, and available for employment on payment of fees by any co-operative institution. On the subject of interlocking between the Federation and the Provincial Bank, Mr. Kolte's remarks were sound and to the point. Germany shows numerous instances of one individual holding simultaneously the offices of chairman of a local or provincial federation, bank, or wholesale society. There is nothing objectionable in this so long as the financial responsibility of each institution is defined and the combination is for purposes of co-ordination and not of giving the dominating voice to one institution or the other. No such tendency appears to have been witnessed in the Central Provinces and the alarm exhibited by the Committee of Inquiry was hence more or unjustifiable.

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It is a matter for great regret that the Maurypur Salt Transport Workers' Co-operative Society, one of the pioneer labour societies in this Presidency, has been brought to an end by the action of various local officials, high and low. The Society in a year and half of its working had made excellent progress. Started on a very small share capital, it tendered for and obtained the contract of conveying salt from the Maurypur works to Karachi and the depots. The work was done with unusual efficiency and it appears that in the whole career of the Society not a single complaint against its working was made by any of the Government officials in charge of the Salt Department. The share capital increased to about Rs. 2,700 and the reserve fund to about Rs. 7,000, while the Society was also able to pay a full dividend and have about a thousand rupees over to pay bonuses on the maximum scale allowed by the bye-laws to its workers. For a Society of about 100 members, both illiterate and of a backward class, the results were magnificent. What is more praiseworthy was that the Society taught its members independence and self-respect. It appears it is this fact which has led to its being wrecked. The independence was resented by the local officials, and the contract was taken away from the Society this year and handed over to a capitalist syndicate. It is again a matter for regret that conditions which had been applied by the Salt Department to the transport workers and which cost the Society a considerable amount of money have been

relaxed for the capitalist syndicate. One does not know to what one should attribute this partiality towards a syndicate or company as contrasted with the treatment meted to a society of genuine workers. The loss caused thereby to public interests and to the progress of the country by the withdrawal of the contract from the Society is thus doubly regrettable. It is to be hoped that the Legislative Council will enquire into the whole of this transaction and its history. In such an enquiry the allegations of the men themselves should also be heard and weighed.

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In the systematic attempt that is being made in the Punjab to study the causes of poverty and to find remedies on co-operative lines, the paramount importance of encouraging thrift has received much attention and special thrift and savings societies have been organised chiefly amongst employees in schools and offices. One of the obstacles that have been encountered is that provision of section 33 of the Act which prescribes that one-fourth of the profits shall be put to reserve every year. In a thrift society, the savings are invested in a central bank or other productive source, and the interest or profits received are distributed over the savings at the end of the year. If these savings are invested in railway shares paying six or eight per cent. dividends, then a deduction of twenty five per cent. for reserve before distribution over savings brings the return very low, and thrift is discouraged. To obviate this difficulty, the Punjab Government have, on the recommendation of the Registrar, exempted these societies from all the provisions of this section. This will enable the societies to distribute all receipts by way of profits, after paying costs of management, over the amounts saved. Such profits will, of course, be added to the sums saved and not distributed in cash. In view of the desire frequently expressed in this Presidency to promote thrift among the urban as well as rural classes it will be interesting to watch the effect of this new move in the Punjab and to study the working of the special thrift societies started in that Province.

## REGISTRAR'S CIRCULARS

### JOINT PURCHASE AND SALE THROUGH UNIONS. (No. 162)

The organization of the joint purchase of agricultural requisites within the Co-operative Movement in this Presidency has so far failed to achieve success, while the joint sale of agricultural produce has only proved successful in the case of cotton and jagri and that within certain limited areas. The Guaranteeing Unions have in their new bye-laws taken powers for dealing with



joint purchase and sale. But practically no Unions have made any use of the powers. The difficulties appear to have been either due to the want of correct financial methods or to the want of wholesale business relations or the want of guidance. The Registrar and the Provincial Bank have been in consultation on this subject and propose the following scheme for adoption with a view to stimulating co-operative agricultural purchase and sale.

2. It must first be observed that in speaking of the purchase of agricultural requisites, a very strict interpretation must be placed upon these words. The purchase intended is to be conducted as part of the Resource Movement, i.e., it is to be the purchase for individuals, in combination for the purpose, of the requisites required by them individually for their trade or occupation. It is in no way to be confused with the Consumers' Movement which has a different object and wider scope. There must, therefore, be no question of purchase through Resource Societies or on the strength of the finance of the Credit Movement of goods required for consumption in general or indeed of anything except the instruments, manures, and so on required for the business of agriculture.

3. In general, it will be admitted that profitable purchases of this kind can be made by societies only when they are for an area sufficiently large to allow of the purchase being made on a considerable wholesale scale. At the present moment the only areas so organized within the Co-operative Movement which can be used for the purpose are the Guaranteeing Unions. Even these areas may prove too small for the purpose and in time it may be better to purchase through societies specially organized for the purpose for a Taluka, a group of Talukas, or even a District. But such societies at present do not exist and are not likely to come into existence unless the Unions can first show the way to at least comparative success. It is, therefore, with the Unions that the present scheme proposes, in the first instance, to deal. In order to confine what is at present an experimental measure to areas and places where it can most easily be guided and watched, the Provincial Bank and the Registrar have agreed that the following centres for such work should in the meantime be taken up, namely, Poona Niphad, Pandharpur, Kurduwadi, Matar, Chikodi and Walva.

4. Before proceeding further it is necessary to recall the actual financial constitution of a Union which by some of the gentlemen consulted seems to have been overlooked. A Union as at present constituted has as such no funds at all except those raised by a very moderate rate levied upon the members. It was intended and it has in general practice been the case that this fund only very slightly exceeds the actual expenses for supervision of the Union. There is, however, under the bye-laws as a whole no reason why the Union should not increase this fund by building up a reserve fund either because its expenses are less than the income derived from the rate so levied or because it is able to make a profit by such trading operations as it is now allowed to conduct. But a slight change in Section 8 of the bye-laws will be required, as that one section does get it in the way of building up a reserve fund. It is, however, to be borne in mind that at the beginning the Union has nothing which it can pledge as

security with any Bank or private business except the small fund raised by this annual levy. It may, however, possess one other thing on which it can obtain credit and that is the good character and business capacity of its committee. It is possible that a business or a Bank may be ready to advance considerable sums to a Union without any other security than just this reputation for high character or business capacity. This, in fact, is the way in which the Syndicate Agricoles in France whose present constitution is practically the same as that of our Unions, have been able to obtain credit from business firms and in some cases from Co-operative Banks. But in France the members of the Managing Committee have usually also given their own individual and separate bonds against their own private property as a further security to the financial agency. One would be glad if members of Managing Committees of our Unions would assume the same responsibility. What, however, must in no case be imagined is that the Union is in any way able to pledge the security of its constituent societies with a Bank or a business firm. It cannot do so. Its only banking security is, as said above, the fund which it itself controls.

5. It will, therefore, be clear that unless a business firm or a Bank is willing, as is extremely unlikely, at the beginning to trust a Union with large sums on this very meagre security or unless the members of the Managing Committee themselves are willing to pledge their own individual and personal security, then the only way in which a Union can buy goods on the scale required to be remunerative is by paying for them in cash or in the equivalent of cash. In order to do this the Union must first obtain indents definitely agreed upon for so-and-so many articles up to such and such a price from the members of the constituent societies, each indent being in the form of a legal contract by which it is possible to sue the member. These indents should then be clubbed and an order for the total amount sent to the supplying agency. In order to pay for the articles the members must either pay in cash or by a personal assured credit. To take the first case, cash payment, it is not necessary that the member should actually pay the cash over to the Chairman of the Union when he sends in his indent, but he should deposit the amount in his local society or in the District Bank or a branch of the Provincial Bank in his own name so that he can obtain interest on it until it is actually drawn, with an order to the Bank to pay it over to the Chairman of the Union when called upon. If he pays on assured credit, it may be done in the following manner. His credit society may sanction a loan to him to the extent required, but instead of paying it to the member, will merely debit it to his account from the date on which the payment is to be made, taking care that it is not previously drawn upon for any other purpose and taking care also that each loan separately and the loans taken together do not exceed the limits fixed in the one case by the bye-laws and in the other case by the lending agency. In that case when the society collects the indents of its members it must forward with them the pre-notes covering the loans that they have taken for this purpose from the society. The Union, if it is affiliated to a District Bank, will ask the District Bank to advance the sum to the supplying agency, the

District Bank being covered by the necessary pro-notes or cash payment and the total with any other loans already drawn not exceeding the amount sanctioned as credit to the Union and its constituent societies. Where the Union is affiliated to the Provincial Bank, it should proceed similarly with that Bank. Financial arrangements will, in fact, be made by the primary co-operative societies with the District or Provincial Bank to which the group may be affiliated.

6. Now for the purpose of making the actual wholesale purchase the Provincial Bank has kindly volunteered its services and is providing the necessary staff. Under its bye-laws this is a legitimate operation for the Provincial Bank. The Provincial Bank will, therefore, in this connection have a double capacity. It will, for the societies directly affiliated to it and in other cases for the District Banks, act in its usual banking capacity, but it will in addition act as a commission agency, for obtaining wholesale the agricultural requisites required for its clients. As a commission agency, the Bank will charge a small commission. It is hoped that these arrangements will work satisfactorily and that a good beginning may be made in the areas mentioned. The chief danger which will need constant guarding against is the tendency to confuse the ordinary credit work of the societies by this new operation undertaken for their members by Unions and Banks. The utmost care will have to be taken to keep the account separate and to see that in no case is any purchase made without its being paid for by money or definite orders on credit already sanctioned.

7. It remains to be said only that this circular does not preclude any Union or other purchasing society from buying directly from a business firm if it is so required or from accepting any credit given by a business firm on the direct banking security of the Union, *i.e.*, its own funds or on the personal security of the members of its Managing Committee.

8. In regard to joint sale, the Registrar would be glad to consider any more definite proposals made from any of the above seven areas after purchase work has been successfully initiated. He would also be prepared to consider favourably any amendments of bye-laws proposed by credit societies for higher limits of short-term loans or advances on the security of agricultural produce actually handed over to the Union (through the credit society) for sale on behalf of the owner, the loan to be recovered at once out of the sale price with interest.

9. The Registrar would not object to Unions charging a commission on purchases or sales made through it, if a bye-law to that effect is duly registered.

#### CO-OPERATIVE BANKING (No. 165)

The Registrar wishes again to invite the attention of all concerned to his Circular on the need for People's Banks dated the 17th May 1920 and his Circular containing suggestions for introducing and using modern financial methods by District and more especially Urban Banks dated the 16th July 1920. In those circulars the manifold advantages of a sound but rapid expansion of People's Banks in this Presidency were emphasized as clearly as it was possible to make it. It was pointed out that there were many areas of this Presidency in which there was not a single bank in existence; that economic conditions remained

medieval, that cheques were not used because they could not be cashed, and that the task of national regeneration and national progress was being indefinitely hampered by the absence of those banking facilities which are the common property of every progressive and every advanced country. In the first circular the Registrar pointed out districts and even provinces where local industry was dying out for want of finance and local trade being stifled by the want of banking facilities. In the second circular detailed suggestions were made for the further development of the District and People's Banks which already existed. It was again emphatically pointed out that the Co-operative Movement seemed predestined to undertake the duty of providing such facilities and could do so successfully.

The Registrar is glad to notice from the figures for the last financial year that the suggestions then made have on the whole met with gratifying response. The volume of credit passing every year and even every week through both District Banks and existing Urban Banks has vastly increased even during the currency of the last year and it is undoubted that the facilities given by these institutions are being modernized and are becoming more and more useful both to the town population and to the great mass of cultivators in this Presidency. A striking result which has been achieved is the check of the constant flow of money or credit from up-country districts to Bombay and a certain reversal of the current. This has been particularly noticeable in the last year in the case of bills of exchange which are now being fairly equally sent both to and from the City of Bombay. It has also happily been the case that some beginnings have been made in those parts of the Presidency which in the summer of 1920 were noted as being still without Urban credit. At the same time it must be admitted with regret that the progress made in existing banks and in the foundation of new institutions intended to develop into such banks has been much less rapid than might have been desirable and has certainly been incommensurate with the vastness of the task before the movement. A further appeal appears to be needed to all who have the interest of their country at heart and who desire quickly to bring it to that level of commercial, industrial and agricultural enterprise which is required for its attainment of its destiny, to collaborate earnestly and diligently for the extension of co-operative banking to areas so far untouched by it and for its fuller growth and development in the institutions which already exist.

In this connection, the Registrar desires particularly to invite attention to the position as it stands in regard to Joint Stock Banks in this country. Such a comparison ought to be incumbent on all who are interested in the development of co-operative banking. The comparison may provide lessons which should also prove an incentive for further action. The latest statistical tables relating to Banks in India published in 1922 are concerned with Banks during the year 1920. The tables published by the Government of India divide Indian Joint Stock Banks into two classes, namely, those with a paid up capital and reserve of 5 lakhs and over and those with a paid up capital and reserve between

one lakh and less than 5 lakhs. In the year 1920 there were 58 such Banks in India. Their aggregate paid up capital and reserves amounted to Rs. 11,74,00,000, deposits to Rs. 72,48,00,000, and cash balances to Rs. 16,73,00,000. Among these, the former class held nearly 11 crores in capital and reserve and 71 crores as deposits, while the second class held less than one crore in capital and reserve and Rs. 2,33,00,000 as deposits. But the first class had increased its capital and reserve since 1914 by 250% and its deposits by more than 400%. Among co-operative banks in this Presidency two only fall in the first class and eight fall in the second class. It is incumbent on all connected with the Co-operative Movement to ask themselves whether the increase of capital and deposits within the Co-operative Movement in Banks of this class has been commensurate with the increase in Joint Stock Banks. By "commensurate" in this connection must be meant not an equal proportion of growth but a rate of growth far more rapid and far stronger. The Co-operative Bank has many advantages which the Joint Stock Bank cannot venture to claim. It is very much safer. Its liabilities are better secured. It depends upon common moral purpose and a common knowledge within its membership. Moreover, while the Joint Stock Bank exists mainly for the profit of a small group of men who are its owners, the Co-operative Bank exists for the common profit of all its members and of all its customers as well. If, therefore, the development of any Co-operative Bank in any way lags behind that of Joint Stock Banks or indeed if each co operative Bank fails to advance at a rate at least three times more rapid than the rate of growth of Joint Stock Banks and if in addition the number of Co-operative Banks does not increase far more rapidly than that of Joint Stock Banks, then the inference can only be that economic knowledge and public spirit, that energy and capability are much less developed among the leaders of the Co-operative Movement and its public than among those who seek personal profit by the formation of Joint Stock Banks. Such an inference constitutes a reflection upon those connected with the Movement which it may be hoped they will use every effort to rebut by practical results.

The Registrar invites particular attention to the figures given in these statistical tables in detail and especially to the lists of Joint Stock Banks and their branches. It is essential to realize that while the field is so far open to co-operation, yet it cannot be expected to remain so indefinitely. The Movement cannot afford to wait. Urgent steps are required for its expansion if Co-operative Banking is to have that future which must be desired by all who aim at securing the best interests of their country.

The Registrar trusts, therefore, that the suggestions made in his former circulars will receive renewed attention and that District Banks and Urban Societies will place themselves in communication with the Provincial Bank to secure those facilities which that Bank has readily agreed to place at their disposal and to secure all the advantages possible from the use of modern methods—from the discounting of bills, the use of cheques and the cash credit system and overdrafts, and the use of bank bills and similar instruments. He trusts that

by the end of the next financial year (31st March 1923) he will be able to report the existence of several new Urban Banks in Districts or Talukas where they do not yet exist and be able to note a considerable increase in the working capital of the existing Banks. He hopes indeed that every such society will endeavour to have increased its business at that date by at any rate not less than 50% over last year's working capital. A similar extension in the case of District Banks of their capital and utility is almost more urgently required in the interest of the cultivators; and Directors should make every attempt to interest in the success of their institutions and to associate with themselves in the guidance of their banking policy the better educated and more public spirited among the merchant class of their district.

Lastly, he trusts that all Banks will realize that increasing business implies an increasing and better qualified staff and that in order to secure further support from the public and better credit in the market it is above all essential to reduce the burden of overdues which in too many societies is still too heavy—another purpose for which a superior and thoroughly trained staff is urgently required.

#### CO-OPERATIVE MARKETING AND CO-OPERATIVE SALE SOCIETIES

##### FOR AGRICULTURAL PRODUCE (No. $\frac{A. G. C.}{103}$ )

In general all over the world it has been admitted that Co-operative Marketing of agricultural produce is the most difficult branch of agricultural co-operation, and that at the same time it is next to agricultural credit the most important of all the measures open to cultivators in co-operation. Until the cultivator is enabled to deal direct with the market and to put his produce on the market under the most favourable conditions, it is clear that he cannot possibly hope to derive from his industry any fair share in its produce and that the credit which he obtains for the purposes of current cultivation fails to secure him half its benefits, unless he can turn the products of that cultivation to advantage. However great the difficulties may be, therefore, they must be faced and overcome at the earliest moment, if the Co operative Movement and the guidance of the Agricultural Department are to bring the cultivator the advantages for which we hope. So far in India co-operative sale of agricultural produce has made very small progress. For us in this Presidency it is at least hopeful that distinctly good beginnings have been made in Bombay. With the more intimate co-ordination of the Agricultural and Co-operative Departments that has now been effected and the concentration by both upon work through and by co-operative societies, there is now greater hope than ever before. Advantage must be taken of this favourable combination and we must display both to Government and to the public that this co-ordination is being of real and immediate advantage to the cultivating classes. Only by showing results, can we hope for that further assistance from the taxpayer represented by the executive Government, which is necessary for the expansion and progress of the Movement.

2. The results of the last year have on the whole been distinctly encouraging, as far as they go. In spite of an unfavourable season, the cotton sale

societies which actually worked did very fairly satisfactorily under the existing conditions. In East Khandesh, for instance, the Pachora Cotton Sale Society sold cotton worth nearly 6½ lakhs. The Gadag Society sold cotton for four lakhs of rupees and the Hubli Society for a little more. Good beginnings have already been made in Sonsek in Surat District where, though the quantity was smaller, the method was sounder. A new society at Byadgi for the sale of chillies has also made a good beginning and so has a small grain society at Shikarpur in Sind. The total value of goods sold by co-operative sale societies in the Presidency amounted to almost 22 lakhs of rupees and in the Southern Division the value of the goods sold amounted to over Rs. 14 lakhs. As said, therefore, a good beginning has been made. It is obvious, however, that sales covering Rs. 22 lakhs are insignificant when with a moderate computation the out-turn of sale societies of this class in this Presidency ought to amount to at least as many crores. It has also to be remembered that until the out-turn of these societies is at least 50 times as big as it is at present they cannot possibly control the market or affect wholesale prices.

3. In other countries of the world, it is interesting to notice that co-operative agricultural marketing has extended further and more successfully in the United States of America than anywhere else, although the United States are a country in which Co-operation has in other respects made very tardy progress, and in which the character of the people would at first sight appear to be against any hope of co-operative progress. The organizations for co-operative marketing, however, in that country are of enormous size and vast importance and have been conducted with a business-like efficiency which can only be the object of envy and admiration. The lessons derived from the United States must be learned and applied as far as it is possible to apply them, in the very different circumstances of this country. The following are the teachings impressed by the American societies.

(1). Sale societies and marketing organizations should be arranged for the commodity and not for the area. For instance, a sale society for a limited area comprising both grains and cotton is almost sure to be a failure. But a society for a larger area as, for instance, for the whole of Dharwar District comprising cotton only has every chance of success. As far as possible the sale society should try to control all the crop of one class grown within the limits of the districts dealing with one market. To apply this in the case of cotton, it would probably, for instance, be better to have one society dealing with Kumtha cotton, another with American Dharwar, a third with Nawsari, and so on, each of them organized for the whole area in which each of these classes of cotton is grown.

(2). The legal foundation of the society and its contracts must be above any possible doubt. A contract between a society and its members should, if possible, be for five years' delivery of all the goods grown of that kind by the member, and it should be a contract enforceable by injunction from a Civil Court and covering damages in the case of non-delivery. We are informed that

Indian Law differs in this respect from American law and that it may be difficult to obtain injunctions. The matter is one which must be carefully gone into by trained lawyers. Further, American practice has shown that the contract should allow free pooling of goods and prices. At present in the Dharwar Societies each member obtains the particular price ruling on the day on which his own consignment is sold. This practice encourages speculation and opens the door to the competition of outside dealers. On the American system, the society sells all consignments from members when and how it thinks best and the price obtained by each is the average price of the season for all consignments and not the price at which his particular consignment may happen to have been sold. This again requires a carefully drafted bye-law and a carefully drafted contract. The contract must also be of such a nature that a full title and lien over the commodity can be passed on to the financing agency.

(3). The object of the society should be to extend the marketing period and area and to control the movement of the produce in regard to the point of consumption. In the case of the cotton crop, this matter is of less importance than in most other crops. The reason is that in the case of cotton, there does not seem to be any material fall in prices during the marketing season. The price for cotton is determined by that of foreign cotton in Liverpool and by the prospective supply which is well-known. Moreover, there is almost always a sufficient reserve of cotton in hand to prevent a scarcity rate from developing in the off season. The case being like this, it is probable that the cost of storage and insurances would more than counterbalance any smaller advantages that might be obtained by the sale society holding up the crop. In any case in regard to the cotton crop marketing fluctuations are mainly caused by other causes which will probably be much greater than the effect derived from holding up the crop in any district. Moreover, in regard to cotton, practically the only market is Bombay and the marketing area can therefore not be extended. In regard to other crops like wheat or jawari, however, this is not the case, and an extension of the market period would in regard to those crops be of enormous advantage to the cultivator. It is notorious that both in wheat and in jawari prices tumble down at the harvest season because the cultivators pour all their crops on to the market at the same time ; while the prices rise again in the dull season when there is no harvest. The object of the sale society should, therefore, be to hold up the crop considerably and let it be upon the market as and when it is advantageous to the cultivator. Moreover, the marketing area for both jawari and wheat is very much larger than that for cotton and it should be the object of a sale society to send its grain to the market where the best prices are at any moment to be obtained.

(4). The American experts advocate inspection and grading to improve the quality of the crop. It must, however, be noted that the expenditure thereon is considerable and it follows that the quantities dealt in should be large.

(5). Proper packing of the correct type required by the retail dealer or the customer especially in the case of crops like fruits. Inspection, grading and



packing are not yet of such urgency in India except in the case of the cotton crop, but the need for them will be more and more felt as the market is better taught what to demand and as the sale societies extend to other crops. For instance, a sale society for Nasik grapes would at once have to look carefully to these requirements.

In this Presidency, in regard to jawari and wheat, we will be saved one trouble which imposes itself on similar societies in Europe. In Europe wheat cannot be stored unless it is first dried and cleaned. In this Presidency this does not appear to be necessary in the case of either wheat or jawari, unless it is obviously damp or has been severely attacked by insects. Ordinary storage in silos or granaries will be sufficient. On the other hand smut is a great danger in this Presidency in the case of jawari and any sale society for that crop must make it a binding condition enforced by contract that all jawari seed used by its members must be steeped in copper sulphate. Further, in this Presidency at any rate, it is essential that any sale society should also make provision for supplying pure seed of the best grade to its members and for enforcing the use of such seed and such only upon them in order to be able to guarantee good quality to the market. This is being done with fair success by the cotton societies with the help of the officials of the Agricultural Department.

The following examples from European countries of how sale societies are conducted may be useful. No European country has escaped the difficulties which confront us here, viz., of combining local interest and independence with the finance and organization required to be effective in a large market. Small cultivators in a small village or a small local area obviously cannot have the necessary training or the necessary funds or even the necessary loyalty and discipline to be able to manage an important business undertaking like a sale society. On the other hand, no larger society can flourish unless the cultivators feel that they form an integral part of the society and they can exercise control over it. Moreover, no society can hope to be successful unless it provides against the possibility of black-sheep and disloyal members by absolutely binding and easily enforceable legal contract. Now in Germany where the sale societies have had a rather precarious career and in which many failures were recorded owing to the typical German fault of over-grandiose conception and extent, two systems have been followed. On the one system co-operative sale was conducted by the credit society which in Germany is very frequently something of the nature of a general purposes society. Such sales have seldom been of much success or have given the cultivator much greater profits than he would otherwise have obtained, while on the other hand, they have often harmed the credit societies' interest to a serious degree. In this country, any such type of society may be considered to be outside of consideration. Our credit societies must remain what they are, pure credit societies, and be beyond all fear of risk or even confusion. The other system is that of the so called corn-house, a society formed by the members of credit societies in the neighbourhood who take shares in it on a system of uncalled up liabilities; the liabilities in some cases being as high as 50 times the

called up portion of the share. The corn house buys outright from the members and sells the commodity again as its own property to the market. But in some cases it gives a bonus out of the profits thus obtained to each of the members in proportion to the amount of commodity sold by him. The method is obviously speculative and is too risky for introduction in this country, at least at the present stage. In Hungary the method followed is that adopted in this Presidency at Baramati for the sale of Gul. As at Baramati, so in Hungary, it is really the Central Bank which does all the sales for the members of the sale society in each area. The prices are approved by an advisory committee and the Bank sells on commission. But the actual management in practice rests with the Bank. This is a method which has a great deal to recommend it and which at least gives safety to the cultivators. It has done well in this Presidency where it has been tried and I trust that with the extension of the activities of the Provincial Bank to other districts such as Ahmedabad, the Panoh Mahals and West Khandesh, it will be possible to extend this system on a more systematic basis. The difficulties are (a) to keep the cultivator interested in the management of the society or shop and loyal to it, and (b) to find a form of legal contract which shall be absolutely binding on the member and penalize him rapidly in case of sale to any outside agency. These, however, are difficulties which I hope to see overcome at an early date, while the employment of trained officials for the purpose with the help of or in company with the Agricultural Department by the Provincial Bank will put such arrangements on an even sounder footing. In France, where co-operative marketing has unfortunately so far made little progress, the system of the co-operative flour mill in Condon might perhaps be tried in other areas in this Presidency where the finance is done by District Banks. The society at Condon works upon a share capital of 50,000 francs and in 1920 made profits of 123,000 francs. The system is as follows. All the cultivators in the neighbouring countryside put their grain at the disposal of a society. They may or may not obtain advances when they deliver grain according to their will. Those who do not ask for advances receive at the end of the financial year the value of their wheat calculated on the mean price of the year and are also entitled to a bonus at a pro rata of the quantity of the wheat delivered and further receive 4 per cent. interest on the value of their wheat from the date of its delivery up to the date of payment. Those, however, who desire advances can receive advances upto 80% of the value after 8 days from the date of delivery. In that case the member receives no interest on the value of his goods, but he does receive a bonus proportionate to the period after which the goods were delivered. In some cases, however, the society also buys outright from cultivators but in that case gives no bonus to them. At another society at Yonne in France, the following points are included in the rules of the sale society. The share capital consists of 70,000 francs in shares of 25 francs each. In July each year each member has to send in a forecast estimating what his outturn of wheat will be and what the dates are when he will thresh it and when he will deliver it. He also estimates what number of

sacks he will require from the society and what advances he will need. Advances of 70% of the value are given on delivery. In each affiliated village, one member acts as an agent for the society, collects the forecasts and forwards them to the society and arranges for the joint delivery of the village wheat to the society. At the end of the financial year, all receipts for sales are added together and all the working expenses deducted from the total. The total is then divided by the number of maunds and the average price per maund is thus arrived at. All wheat received by the society before the 30th March is paid for at this average rate. Members who deliver later receive a small additional bonus per maund, the purpose of this provision being that too great strain should not be put upon the society's ware house and that an inducement should be held out to cultivators to relieve this strain by storing the wheat in their own houses until it is really required. All sales are made by the society as a whole and may be made of wheat that is even then left at the cultivator's own house. The contracts of the cultivators are transferred to the financing agency and the society gives the same agency a full lien on all the goods held by it.

It may now be noted that any such society must have a central store of fair size situated in the centre of an homogenous area and that it must be beside a railway station. The central store or society may be fed by small affiliated societies but the expert management must be concentrated at the central store paid for by contributions from the affiliated societies pro rata. Moreover, the central store together with its affiliated stores must have ware houses large enough to hold the produce of the cultivator for at least four months.

It will be obvious that as far as sales can be made by sample a great deal of the trouble inherent in a sale society will be saved. Sale by sample will also facilitate approaching big merchants and wholesale dealers in place like Bombay. We fear, however, that at the present moment, we cannot hope for sale by sample in this Presidency in the case of any crop except ginned cotton. In the case of ginned cotton grown from co-operative seed, it should, however, be easy to sell by sample and this is actually being done with effect in Surat District. If the supply of pure wheat seed can be arranged for in any homogenous area, as, for instance, of Pusa 12 seed in Sind, then it should be easy again to arrange for sale of the wheat grown from it by sample. Such a step will require the active superintendence of the Agricultural Department. Reading the above, we think the following suggestions may be made for this Presidency.

(1). The sale of ginned cotton in Surat should be rapidly increased and an attempt made to organize a big cotton sale co-operative organization for Surat District affiliating existing societies at Sonsek and Sayan and organizing further feeding societies, to sell by sample through a managing committee composed of members of each of the affiliated societies with the assistance of expert officials of the Agricultural Department. A similar attempt to organize the sale of ginned cotton should be made in East Khandesh. In Dharwar, it appears impracticable at present to sell ginned cotton and the people insist on the sale of

kapas. An attempt, however, should be made to get the existing societies to form a Union and to arrange according to the locality for one society dealing with one class of cotton or two classes and another for other classes and if possible to induce them to sell on the pooling system. For wheat, an attempt to organize sale societies may be made in Ahmednagar, East Khandesh, Nasik, Dharwar, Broach, and especially in Dohad in the Panch Mahals which are the chief districts for the sale of wheat for export to other areas. We should like the Divisional Boards and Provincial Bank to consider the matter and to take such steps as are practical. Dharangaon in East Khandesh would probably be a good centre and Ankleshwar in Broach. In Dharwar a suitable centre might be tried in the north of the district at a railway station. For jawari, the chief districts for export are Bijapur, Dharwar, Satara, Ahmednagar, East Khandesh and Surat. For jawari, again Dharangaon and Amalner in East Khandesh, Ankleshwar in Broach and some suitable centres in Dharwar and Bijapur might perhaps be arranged for. In the case of all such societies expert assistance is obviously necessary and it would be desirable that the experts should be recruited from the Agricultural Department but employed by the society. At the beginning, however, societies will hardly be able to incur the expenditure. It might, therefore, be reasonable to approach Government with a request that the services of such an expert or experts should be placed at the disposal of the societies without charge for a period of three years, the subsequent cost to be afterwards divided between Government and societies for another period of three years on a proportion fixed in accordance with the profits of the society. During this period, the expert officials would of course remain under the control of the Divisional Boards though working at the option of societies. Further on the analogy of European countries, it might be possible to approach Government with a request for grants in aid to the building of necessary ware-houses or stores. This, however, introduces a new principle which has not so far been observed by Government in this Presidency in regard to co-operative societies and Government could only be approached on a strong case made out with careful figures and forecasting. The case for the encouragement of co-operative marketing in itself is, however, so strong that its detailed application to any society should not present much difficulty if a sufficiently careful investigation of the monetary side of the problem is made.

#### CO-OPERATIVE FINANCE (No. S. R. A. D. M.-39 1922.)

The Registrar hopes he will be excused for again bringing to the notice of all who are concerned in the national and regenerating movement of Co-operation the most urgent of its needs on the financial side. On that side, there can hardly be any doubts that these needs are (a) a rapid increase of working capital, (b) a marked reduction in the percentage of overdue debts. These financial needs are far from exhausting the requirements of the movement. More constant and exact education, more regular propaganda, better organised supervision and inspection, the regular progress of non-credit work, especially the extension of sale societies by the aid of the Agricultural Department, the encouragement of

Producers' Societies, the better management and understanding of Consumers, Societies all these and more are requirements of the movement, urgently needed if it is to take that part which should belong to it and which it alone can fill in the harmonious and beneficent development of the Indian people. But at the bottom of every other extension of activity lie the primary financial needs, increase of funds and reduction of overdues. The Registrar hopes that every one working for or sympathising with the movement, be he official or non-official, will devote his best energies in the next five months to these two purposes. On the results obtained this winter season in these two directions must largely depend the healthy and satisfactory growth of co-operation in this Presidency in the future.

The requirements of cultivators in this Presidency for current agricultural uses each year may be roughly estimated to be 25 crores. The immediate needs of existing industrial producers' societies for the full finance of their products may be estimated at one crore per year, though this sum will rapidly increase as the movement grows. At the end of March last the working capital in the agricultural Movement was only 2·3 crores of which 1·6 were held by primary societies, and 1·2 by District Banks including the Provincial Bank. Of the last figure half was held by the Provincial Bank and half by District Banks proper. And in these figures of working capital there was a good deal of overlapping. It will be seen at once how inadequate these figures are to the task before this branch of the movement. Producers' societies had a working capital of 4½ lakhs only at the same date. The funds available in the Co-operative Movement as a whole were only a little over 4½ crores.

The first step, therefore, is a large increase in the total working capital. Wherever possible, in all banks and in the selected primary societies, this should readily be effected by the free use of current accounts and savings banks deposits, properly covered by fluid resource, as frequently advised and as advised in detail by the Provincial Bank. The Registrar hopes, however, that not only in such societies but also in every primary society, an effort will be made in the next five months to see that the working capital of each society increases by not less than 50% built up locally and not merely by borrowing from outside. The need of such increase for the purposes of the movement as a whole and especially for the finance of non-credit societies to the benefit of the cultivators of the country should be constantly and emphatically impressed on all co-operators.

In limited liability banks and societies, however, liabilities cannot by Government rule be accepted beyond eight times the paid-up share-capital and reserve fund. In the Provincial Bank and District Banks the total of these two heads was last March 21 lakhs. On that basis, therefore, the total working capital of these Banks could not exceed 190 lakhs, an increase of less than 50 % over present figures. The figures for Urban Banks disclose a similar state of affairs. In the case of all Banks, therefore the primary need is a

vigorous effort to increase share capital. This need has repeatedly been emphasized and certain of the Banks have made a fair response. Others, however, have done little in that direction. It is hoped that in the next five months special efforts will be everywhere devoted to the increase of share capital. The Provincial Bank contemplates a fresh issue of share capital and it is hoped that every society in the Presidency will feel it to be its duty to subscribe to that issue according to its means. For on the rapid increase of the share-capital and hence of the working capital of the Provincial Bank depends the strength, the extension, and even the solvency of every single co-operative society in the Presidency. Reserve Funds of Banks and large societies should be freely invested in shares of the Provincial Banks. It is to be hoped especially that societies like the two great Railway Societies or the Shamrao Vithal Society will invest many thousands of rupees each in shares of the Provincial Bank, remembering that by so doing they automatically increase the working capital available for the co-operators of the country by 9 rupees to each rupee invested. Societies affiliated to District Banks should also invest a least half their reserve funds in shares of their own District Banks, and it is hoped specially that Urban Societies will give this support to District Banks.

But while every effort is made in this way to increase the working capital of every society in the Presidency both in regard to share capital (when there are shares) and to deposits, (current or savings bank, when allowed, as well as fixed) to an extent that should in the next few months certainly not be less than 50%, yet there must at the same time be a united and energetic effort, by persuasion, by education and where unfortunately necessary by coercion to reduce the heavy overdues that are so great a drag upon the movement. They aggregated last March 19½ lakhs in all or 13 per cent. of the working capital in agricultural societies. So high a percentage is alarming. Attention is solicited to the remarks in the last annual report of this department on this painful subject. The Registrar trusts that every Assistant Registrar, every Auditor and Agricultural Organiser, every member of the Branches of the Institute, and every Honorary Organiser will consider it to be his primary duty to see these figures reduced to at least half in the aggregate in the coming harvest season. By the 31st March 1923 overdues in all societies together in the Presidency should on no account exceed 10 lakhs in all. Unless this reduction is effected the situation cannot be considered sound nor can co-operative principles be assured to have been so far learnt as to hearten the movement in its onward march to further campaigns.

#### CONTRIBUTIONS TOWARDS INSPECTION (No. 179)

The question of contributions towards the cost of inspection by District Central Banks from both Government and the Provincial Bank has been under discussion for a considerable period. Final orders have now been received by Government Resolution No. 6673 of the 22nd December 1922. By that

Resolution, Government has accepted the principle of making a contribution of one-fourth of the cost of Inspectors maintained by District Central Banks subject to the following conditions:—

(1) No Bank will get any assistance beyond its initial stage which shall be interpreted as covering a term of five years from the 1st of April 1922.

(2) The scale of salaries and allowances for Inspectors to be paid under the scheme shall be communicated to the Bombay Central Co-operative Bank and to the Registrar in order that both shall have an idea of their share of the expenses.

(3) No Bank will receive any assistance if or when it pays dividends of  $6\frac{1}{4}$  per cent or over to its share-holders.

(4) The expenses of the staff shall be paid by the District Central Banks under which the Inspectors work until the close of the official year and the demand for contribution should be made through the Registrar after the accounts have been closed and dividends declared.

(5) The Registrar will register new Banks after previous consultation with the Provincial Bank in order to enable it to examine the basis of their financial arrangements and the prospects of their success.

On these conditions the Provincial Bank has also kindly consented to make a similar contribution of one-fourth of the cost. These contributions will be available for inspection charges incurred by District Central Banks during the financial year 1922-23. The contribution will be paid after April 1923 on the basis of accounts for the financial year 1922-23. It is, therefore, requested that any District Banks wishing to claim such contribution should make an application for the same as soon as they have closed their accounts for 1922-23; the applications to be sent in duplicate through the Registrar.

#### RECOVERY OF OVERDUES (No. S. R. A. D. M.-39)

The Registrar begs to bring to the notice of all connected with the Co-operative Movement the fact that the monthly statements now being submitted by District Banks, Urban Banks, and by Auditors for changes in the working capital and recovery of overdue arrears present what can only be described as an unsatisfactory picture. The very irregularity with which some [of these statements are submitted does not speak well for the interest of those directly concerned. It seems to betoken an indifference which in itself is not reassuring. The Registrar had already pointed out in a circular issued some months ago how important it was for the future of the movement to take advantage of the favourable agricultural season to clear off or at least reduce considerably the very heavy arrears of debt which are so burdensome to the movement and which make it necessary to slow down and almost check expansion until to remedy those arrears existing societies are brought into better working order and until

continued supervision and inspection are provided by the non-official bodies responsible for such duties. He had also hoped that with this favourable season working capital would be materially increased by free deposits from members in agricultural societies and by the taking up of further shares as well as the making of further deposits in banks and other classes of societies. The statements so far received do not show that any serious effort has been made to achieve either object. The arrears remain practically unreduced, the only district which shows any considerable decrease being Bijapur. Working capital in some cases, as for instance, in Pachora Division of East Khandesh is actually reduced heavily, and although this is no doubt due in the main to repayments of loans to Banks, yet the reduction certainly goes to show that no new deposits are being made by members. The Registrar must again point out to all who have the interest of the Co-operative Movement at heart that without a united and organised effort to recover overdues on the one hand and to increase the savings of members on the other hand, not only is progress impossible but retrogression appears unfortunately to be probable. He again expresses his trust that all concerned will, in the next three months, use every effort they can to achieve these purposes. The special attention of the Assistant Registrars and Divisional Honorary Organisers is invited to the subject with a view to ensuring the close, connected and amicable combination of Auditors and Honorary Organisers within their charges for the furtherance of these purposes. Auditors in particular are reminded that Taluka Honorary Organisers should be able to secure all necessary figures for them with ease every month and that the non-receipt of statements from societies by an Auditor does not speak well either for his influence or his capacity.

REGISTRAR'S PROGRAMME OF WORK FOR THE YEAR 1923. (No. A. D. M.-34)

The Registrar proposes the following programme for the next year and hopes that all official and non-official workers both as individuals and as members of propagandist or supervising bodies will actively try to work it up.

1. At the stage at which the movement has now arrived in this Presidency, what is vastly more important than anything else is development of effective supervision and co-operative instruction. On the system followed in this Presidency, which agrees with the teaching of authorities like Mr. Wolff, duties and responsibilities in regard to the guidance and education of the movement fall under three parts. Financial guidance and control is based in the first instance upon the Chairmen, Managing Committees, and General Meetings of primary societies. Nothing else can possibly replace the constant supervision over loans and their repayments which is required from every member and especially every member of the Managing Committee of a primary society. The next stage must be active inspection by the District Bank where it exists through its paid Inspectors and its Directors. Finally comes the financial instruction, guidance, and inspection of the Provincial Bank both over District Banks where they exist and over primary societies directly where there are no



District Banks. The second part lies in the supervision and instruction which must be required from the Institute, its branches, and its sub-branches or Taluka Development Associations which take the place of what are called Unions in European Co-operation. Their duty is in constant teaching of the principles of co-operation and especially of the moral and educative side of the movement. The third branch lies in the control of the Registrar and the departmental staff which is responsible for audit, checking illegalities and for seeing that the law, the rules and the by-laws of societies are in accordance with co-operative principles and are practical and workable. At the present moment the departmental staff is owing to the need of retrenchment less numerous than one would like to see it for the full performance of its duties. But it is hoped that all members of the staff will realize the difficulties and will do their best by extra exertion to meet the full requirements of the situation. Banks have on the whole now wakened to the needs of adequate inspection and it is hoped that those which are still in default in this respect will take early steps to appoint an adequate establishment. Only in this way can it be hoped to cope with the collection of the heavy overdues which are the most alarming feature of the co-operative situation at this moment. The Institute is also more and more actively pushing its work of propaganda, but a great deal still remains to be done and must be very urgently taken in hand if the movement is not seriously to fall back. In this respect the most important thing both for the Central Institute and its branches to remember is the immediate need for the appointment of adequately paid office establishment and the systematic arrangement of office work so that the machine which is to drive the educative and supervising engine will run smoothly and efficiently. The first and most essential part of the programme is, therefore, efficient arrangement and adequate staffing in all these parts of the movement. The movement cannot be a success until every member of every society is adequately instructed in the meaning, and duties and responsibilities of co-operation and until, in consequence of such instruction, repayments of loans become punctual and the burdensome accumulation of overdues is cleared away.

2. *Resource Movement* :—(a) In regard to Agricultural Credit Societies, little has to be added to the programme drawn up last year. The same points require continued effort. In addition, however, attempts should be made to spread wherever possible the opening of Savings Bank accounts; while supervising Unions should be started at least where there are no other bodies like Taluka Development Associations which can undertake the same work. Consolidation and training is the most important task throughout the Presidency, but in Sind and in Northern Gujrath it is hoped that more new societies will be carefully organized; while in Bijapur and in Belgaum one would like to see new societies organized amongst cultivators who grow irrigated crops.

(b) *Agricultural Non-Credit Societies* :—Renewed attention to the organization of such societies is being paid owing to the institution of Divisional

**Boards and Taluka Associations.** Sale Societies appear to be likely to be most successful and their problems have now been further studied. It is hoped that this year will see a considerable expansion in the number, volume of work, and efficiency of this very important class of society. Co-operation for the cultivator cannot be said to be doing its duty until it has not merely given the cultivator greater credit to command but also secured him a better price for his produce. It is also hoped that efforts will be made to organize land improvement societies with a view to taking advantage of the loan money placed at the disposal of the movement by Government for the purpose of permanent land improvement.

(c) *District Central Banks* :—The number of District Central Banks in the Presidency is now as large as it seems possible to have for a period of at least 10 years more. The Provincial Bank has kindly made arrangements to take over the direct finance of certain districts such as the Panch Mahals, West Khandesh and Satara, in which it appeared to be impracticable to have local District Banks at present. The main task of the immediate future is, therefore, the strengthening and consolidation of the existing District Banks. This consolidation implies both the appointment and maintenance of an adequately paid and adequately trained staff and the opening of branches wherever they are required. It is believed that these needs have now been fully realized by most District Central Banks.

(d) *Urban Credit* :—Continued efforts are still necessary to organize further Urban Banks of the class to which the name Bank can properly apply. The need for such Urban Banks in the Presidency is almost unlimited and continuous propaganda for the purpose should be made both by officials and non-officials. It is also very essential that existing Urban Banks should wake up fully to the need of reducing the overdues and of ensuring that in future such overdues shall not again occur by a strict adherence to the principles of co operative business. Every effort must be made in the coming year to reduce overdues to a manageable proportion which in the case of an Urban Bank should certainly not exceed 5 per cent. of the working capital. In this connection special attention is invited on the part of all Banks, District or Urban, to the need of organizing their business in such a way as to be able to do without the concession of remittance transfer receipts at the earliest moment and of managing discount and Hundi business profitably with the ordinary facilities of supply bills only. Attention is invited to the recent Resolution of the Provincial Conference on this subject.

3. On the subject of Consumers' Societies, Building Societies and Producers' Societies, little has to be added to last year's programme. The main point is to attempt to enlist more non-official interest and sympathy with those branches of the Co-operative Movement which are of such importance to the industrial development and the well-being of the country. Housing and Producers' Societies in particular appear now to afford hope of rapid and bene-

ficial development if only such non official interest and assistance can be counted upon. New model by-laws have been issued for Labour Societies and the Registrar hopes that several societies of this class will be organized during the coming year.

4. The above programme is meant only to serve as a guide and stimulus to all those engaged in co-operative activities and in no way to limit or circumscribe their efforts and energies.

#### AGRICULTURAL ORGANISERS (EST. 114)

The following instructions in regard to the position of Co-operative Agricultural Organisers under the new scheme are issued by the Director of Agriculture and the Registrar of Co-operative Societies jointly for the guidance of the officers and Divisional Boards, concerned.

2. The essential feature of the new scheme is that the Co-operative Agricultural Organisers like the other agricultural organising and propaganda officers paid for by the Agricultural Department will work under the Divisional Boards, whose executive officer in regard to agricultural organisation and propaganda and its conduct through co-operative societies, is the Deputy Director of Agriculture. Hence for the purposes of practical work, there will be no distinction in future in regard to control and supervision between the agricultural organisers paid for by the Co-operative Department, and the Agricultural officers for the purposes of organisation and propaganda paid for by the Agricultural Department. But in both cases the Assistant Registrars of Co-operative Societies will have the right to obtain help from all and to call for information from any. In their position as members of the Divisional Board, they will also have the right of access to all diaries and records of these officers whether paid for by the one or the other Department. The direct executive officer, however, in regard to them, will be the Deputy Director. In case of any difference of opinion between the Deputy Director and the Assistant Registrar or in the case of any officer paid for by either department not giving the fullest assistance and information to either the Deputy Director or the Assistant Registrar the case should be referred to the Director of Agriculture and the Registrar jointly.

2. If the Assistant Registrar should have occasion to call any one of these officers to meet him or see him or do any specific work for him, he should simultaneously inform the Deputy Director that he is doing so, and he should as far as possible avoid any such call which would in any way interfere with the programme of work already drawn up by the Divisional Board or the Deputy Director. This applies whether the officer is paid for by the Co-operative Department or the Agricultural Department.

4. Districts have now been divided into four classes of Talukas according to the progress so far made in co-operative and agricultural development.

Orders dividing the organising officers whether paid for by the one or the other Department among these talukas for intensive work will shortly be issued by the Director of Agriculture on receipt of orders of Government on some cognate points which are still awaited. From this date, however, it must be clearly understood that the Agricultural Organisers paid for by the Co-operative Department are placed under the control of the Divisional Boards and their executive officers the Deputy Directors of Agriculture.

5. The development of credit societies should run parallel with and fit into the development of the non-credit work which it is now desired to accomplish on the new scheme. The Assistant Registrars, are, therefore, requested to see that not only their Auditors but the District Honorary Organisers or Assistant Organisers fully understand the purpose of the scheme and combine in undertaking intensive work for credit co-operation in the same talukas that have been selected for intensive non-credit work. The Assistant Registrar should arrange to place before every quarterly meeting of the Divisional Board the results of the activities of the credit co-operative staff during the quarter preceding the meeting and to invite criticism and suggestions from the Divisional Board. He should also see that the Deputy Director of Agriculture receives any information or assistance that he may require from the credit staff. In fact the root of the idea is that co-operative development should be pushed as intensively as possible both in credit and in non-credit work in the selected talukas, the Assistant Registrars forming the link between the workers in the credit movement and the workers in the agricultural movement, the executive officer in the one case being the Deputy Director and in the other the Assistant Registrar, but both working hand in hand and jointly in regard to co-operative and agricultural development as a whole and as members of the Divisional Board being assisted by and criticised by non-officials and having a joint responsibility for their united effort in regard to the development of agricultural non-credit co-operation.

SALE OF ARTICLES PRODUCED BY WEAVERS' AND ARTISANS'  
CO-OPERATIVES SOCIETIES

*(Circular dated 5th January 1923, by Assistant Registrar, Bombay)*

1. The Manager of the Bombay Swadeshi Co-operative Stores has agreed to keep the articles produced by the Weavers' and Artizans' Co-operative Societies for sale in the Stores at  $7\frac{1}{2}\%$  commission. He is also willing to allot some portion on payment of rent if the Co-operative Societies keep their own men for sale. The first course will however be convenient to all the industrial Societies.

The Societies desirous of taking advantage of this course should report to this office so that arrangements can be made with the Manager of the Stores.

2. In continuation of this office Circular No. 68 dated 5-1-1923 all the Industrial and the Producers, Societies are informed that Ashoka Swadeshi Stores has agreed to keep the articles produced by the Weavers' and Artizans' Co-operative Societies for sale in the Store at  $7\frac{1}{2}\%$  commission. He is also willing to allot some portion on payment of rent if the Co-operative Societies keep their own men for sale. The first course will however be convenient to all the Industrial Societies.

The Societies desirous of taking advantage of this course should report to this office so that arrangements can be made with the Manager of the Stores.

### CO-OPERATIVE LAW

The following is a copy of judgment recorded by O. C. Dutt, Esq., I.C.S., District Judge, Ratnagiri, in appeal No. 66 of 1920, from Order in Darkhast No. 512 of the Court of the Sub-Judge, Malvan :—

This is an appeal filed by the Secretary of a Co-operative Credit Society against an order by the joint Sub-Judge, Malwan, in a Darkhast. The facts are simple and there is no dispute with regard to them. One Mahadev Kubal owed a debt to the Society. There was a dispute between him and the Society with regard to it. This dispute was referred by the Registrar to an arbitrator. So far everything was legal even according to the respondents. During the enquiry, Mahadev Kubal died. The Respondents were brought on record as his heirs. It is this step which according to the Lower Court and the Respondents was not legal. On 29-9-19, the arbitrator gave his award. This award was sought to be executed in the present Darkhast. The learned Sub-Judge dismissed the Darkhast on the grounds that (1) the arbitrator had no power to bring on record the heirs of the deceased Mahadev and that this award is not valid in consequence of the illegal step taken by him.

I find that the Lower Court being an executing Court had no power to question the validity of the award which it was called upon by law to execute. No analogy can be drawn between the award of an arbitrator under the Co-operative Societies Act and a decree of a "Foreign Court" as is obvious from the Rules under this Act. Under Rule 33, such an award shall not be liable to be called in question in any Civil or Revenue Court and shall be in all respects final and conclusive as between the parties to the dispute. Under rule 34, such an award shall be enforceable in the Civil Court having local jurisdiction in the same manner as a decree of such Court. These two rules in my opinion give sufficient sanctity to these awards to prevent the executing Court from questioning their validity. My view is, I think, justified by the remarks of Mr. Justice Hayward in the Case in 21 Bombay L. R. 27. Those remarks give the principle with regard to any proceedings under a special law

which determines their validity or otherwise. In this case the heirs were brought on record, when Mahadev died. Though the rules do not expressly mention it, I feel sure that the arbitrator had with the concurrence of the Society the right to bring the heirs on record. From the copy of the minutes of the Society before me, I find that the Society determined who the heirs were. The arbitrator merely brought them on record in Mahadev's place. In the light of Mr. Justice Hayward's remarks above referred to, I find that the procedure under the Co-operative Societies Act was quite correct. My findings therefore are that the Lower Court had no power to go into the question of the validity of the award, and that even if it had, the award is perfectly valid and the procedure of the arbitrator perfectly legal.

The alternative course for the arbitrator would have been to return the papers to the Registrar and get a fresh reference made by that Officer after the heirs' names had been substituted. I do not think such a complicated course was necessary under the Act. The spirit of the Act is to be looked to in such cases.

I set aside the order of the Lower Court and restore the Darkhast to file. The costs so far on the Respondents.

## BYE-PRODUCTS OF BETEL-NUT\*

The Supari husk can be converted either into a fibre for making strings or for making into paper. The treatment consists in washing the husk in a dilute solution of a weak alkali for some time and then wash in pure running water. This is repeated about three times and you get a good coloured fibre which can be used either for making thin strings or even making yarn to weave a coarse cloth like sack-cloth.

Another method is to boil the Supari husk after washing in water and brushing with hand in a dilute alkali solution. This not only boils the incrustation in a short time but also makes the fibre pliant. This can be used in making light brown paper either by hand or by machine.

Regarding the production of color from the Supari, I have tested and used it for dying yarn ( cotton ) and it gives a beautiful chocolate brown. This colour is simply extracted by boiling. You must boil it down to dryness under very low fire just as they boil catechu or ( kat ). If you follow the same process

\* This information which might be of use to districts producing the article was supplied by Mr. D. V. Nagarkatti, M. A., B. Sc., Dy. Director of Industries, Hyderabad ( Deccan ).

without bringing it into contact with iron you will find a dye which can be sold. But I know it is very difficult to sell as there are few who use the dye.

Supari-tooth paste cannot be sold in large quantities. Very little of it is manufactured and much less is used. The only products which can be manufactured for the present and which can be easily sold are the fibre and the dye.

## SIR VITHALDAS D. THACKERSEY MEMORIAL BUILDING FUND

### APPEAL

Dear Sir,

We venture to invite your attention to the Resolutions (Nos. 2 & 3 ) passed at a public meeting held in Bombay on the 12th September last. By those resolutions that large and influential gathering decided that a memorial should be raised by public subscription to the memory of the late Sir Vithaldas D. Thackersey and that the memorial should take the form of a building primarily for the Bombay Central Co-operative Institute. A powerful Committee was also nominated at the same time for the purpose of carrying out the proposal and to collect subscriptions.

2. We venture personally to ask your support and that of any Co-operative Society to which you belong for this public purpose.

3. In so doing we trust that we may be allowed briefly to explain the suitability and significance of the form chosen as a monument to the memory of so distinguished and so public-spirited a leader, and its value and importance to the Co-operative Movement to which for the most active part of his life Sir Vithaldas had devoted such unceasing care and energy. As the Co-operative Movement grew in importance and in influence, the need for a central body which should focus the energies of workers, guide policy, and control propaganda was more and more keenly felt. Three years ago by the collaboration of non-official workers and officials engaged in the Department, the Bombay Central Co-operative Institute was organised for this purpose under the Presidentship of His Excellency the Governor and the Vice-Presidentship of the Hon'ble Mr. Lalubhai Samaldas, C. I. E.

4. From the first the Institute undertook useful and beneficent work by organising training classes, by instituting committees to advise societies, by advising the Registrar on matters of policy or doubtful questions of law, and more by gradually taking over many of the directing and guiding functions so far imposed upon the Registrar. As it gained in experience, so it advanced in influence. As it strengthened its position, so it extended its sphere of operations. The Co-operative Societies in the Presidency gradually recognised its import-

ance and affiliated themselves to the Institute. The conduct of the Annual Conference was transferred by the Registrar to that body and the success of the last Conference is a testimony to the ability with which its affairs are managed. With all this development as with the preliminary organization and extension of the activities of the Provincial Co-operative Bank, Sir Vithaldas associated himself in the fullest degree. But the Institute found itself seriously handicapped by the absence of a suitable building in which to house its office and hold its meetings. At the same time the Provincial Bank also was housed in a hired building which though not altogether unsuitable could not be regarded as a permanent belonging of the Movement. All who are concerned in the future progress and prosperity of co-operation in this Presidency, Government as well as Public, leaders as well as followers, felt an increasing anxiety to house these two great Central Institutions in an edifice commensurate with their needs and dignity.

5. After much search Mr. Rothfeld, the Registrar, was able to find a site belonging to Government which commended itself to the Boards of both the Bank and the Institute. He was further authorised to approach Government with an offer for this site. Into the details of this scheme, the late Sir Vithaldas Thackersey threw himself with his accustomed energy and imagination and it was due entirely to his assistance that it was possible first to secure the site from Government on terms somewhat advantageous to the movement and secondly to prepare a scheme on a sound working financial basis. The site which is in Bake-house Lane in the Fort in Bombay has now been acquired and is at our disposal.

6. The building when completed will contain the offices, a Public Hall and a Co operative Library maintained by the Central Co-operative Institute, the offices of the Provincial Bank, and the offices of the officials of the Co-operative Department stationed in Bombay. It is earnestly hoped that it may perhaps contain a Co-operative Club in which the co-operators from upcountry districts will be able to reside on their occasional visits to the metropolis. The cost of the building is estimated to be a little over three lakhs of rupees. It will thus be a visible embodiment of the strength, influence, and power of the Co-operative Movement and will secure for its guiding bodies the permanent and suitable home which they require.

7. We trust we need not emphasise to any co-operator how great a part will be played increasingly in each year that follows by the Institute upon the fortunes of a movement on which we all feel the future, harmonious development and equitably distributed prosperity of the Presidency will depend. The Institute with its branches now organised in every division of the Presidency (including Sindh) is the one body which can serve as the centre of non-official opinion in regard to the policy, the further development and even the detailed application of principles within the movement.



8. Already, as things are, no change of policy, no modification of existing bye-laws, no publication of new models, no legal questions affecting the Movement, and no expression of opinion on impending legislation is made or offered by the Registrar without the advice and previous approval of the Institute. It is a body susceptible to every expression of public opinion and it is a body which has the means to make the weight of this opinion felt. On its efficient performance of its functions depends by an intimate and necessary connection the fortune of every village society and of every member of such a society. Moreover, it is the one body which can take that representative position in relation to International Co-operation and the Co-operative Federations of other countries that is required to give India her due weight in the impending transformation of the economy of the world. The furtherance of its objects by the provision of a proper home for the Institute, is, therefore, a duty incumbent upon every co-operator; and when co-operators remember all that they owe to the late Sir Vithaldas D. Thackersey not only for his grand conception of the Provincial Co-operative Bank and for his energetic direction of its affairs when it was organised but also the active beneficence which he showed in his early and frequent visits to remote village societies, and especially in the scheme of Night Schools inaugurated by him at considerable cost for the benefit of illiterate adult co-operators in villages, we feel sure that they will contribute handsomely for a purpose that shall all at once combine his services to the movement and this monument to his memory.

9. While soliciting, therefore, your liberal support by your own *voluntary* subscription we would also remind you that there is no objection, under the bye-laws, to any society devoting a sum not exceeding  $7\frac{1}{2}$  per cent of the net profits of the Society to this purpose, which is amply covered by the law.

10. Lastly, we are confident that you will endeavour by doing all that lies in your power to co-operate whole-heartedly with the Memorial Committee in securing the necessary financial assistance, to make this movement a success by enlisting with it the sympathy of as many friends and admirers of Sir Vithaldas as also co-operators and friends of Co-operative Movement as you possibly can approach and to put on it the stamp of a truly popular, representative, and non-sectional tribute to the memory of Bombay's great pioneer Co-operator and citizen—the late Sir Vithaldas D. Thackersey.

We remain,

Yours faithfully,

Bombay Central Co-operative  
Institute, Sirdar Building,  
Apollo Street,  
Fort, Bombay.  
30th October, 1922.

OTTO ROTHFELD  
G. K. DEVADHAR  
S. S. TALMAKI  
H. L. KAJI  
Hon. Secretaries,

Sir Vithaldas D. Thackersey M. B. Fund.

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